

FINANCIAL TIMES

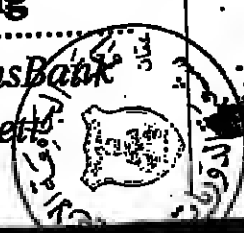
Start
the week
with...



South Africa
*Is democracy
now sustainable?*
Roger Matthews, Page 15

Barnett Bank

US Banking
*Why NationsBank
wants Barnett?*
Page 17



Northern Ireland
*Trying to do
the right thing*
Philip Stephens, Page 14

World Business Newspaper <http://www.FT.com>

MONDAY SEPTEMBER 1 1997

Malaysian PM in new attack on IMF and speculators

Malaysia's prime minister Dr Mahatir Mohamad launched an angry attack on the IMF in a move which could further destabilise south-east Asia's financial markets. He also renewed his attack on speculators and his remarks - together with Indonesia's imposition of currency controls - are expected to boost selling pressure on regional currency and stock markets. Page 16; Asia-Pacific round-up, Page 8; S Korean bond issue, Page 17; Markets, Page 21

French unemployment moves: French economics minister Dominique Strauss-Kahn said the 1998 budget - due to be unveiled later this month - might introduce tax deductions for firms hiring additional employees. Page 16

SFA plans to raise fines: Investment banks breaching Securities and Futures Authority rules may face fines of more than \$1.5m under plans being considered by the UK financial regulator. Page 8

UN may act on Algeria: In a sign that the UN may play a part in ending Algeria's bloodied secretary-general Kofi Annan said the world could no longer ignore the conflict. Page 5

UK export figures: UK export figures have still to reflect the extent of sterling's rise and could face an increasing squeeze in the year, according to analysts. Page 8

International bank lending soars: Pierce competition for new lending saw international syndicated bank lending hit a record \$194.5bn in the three months to June, said the Bank for International Settlements. Page 17

France poised to liberalise internet use: France is set to liberalise rules on computer encryption technology as part of its efforts to encourage the internet's development. Page 5

Bundesbank rate rise unlikely: Pressures on Germany's Bundesbank make a rise in its key short-term interest rates unlikely until October, economists and monetary observers said. Page 2

Endesa bid falls short: Spanish power group Endesa has failed to fully secure the \$1.5bn stake it sought in Chilean-based electricity group Enersa. Page 17

Mexico's Congress flexes its muscles: July's elections in Mexico produced strong opposition parties, and it is unclear whether President Ernesto Zedillo will be able to enact key parts of his agenda. Page 4

Turkey cracks down on Iraq trade: Turkey is to crack down on illegal trade with Iraq to raise badly-needed tax revenues. For years Turkish traders have bartered consumer goods for cheap Iraqi diesel. Page 2

China Bank with St Lucia: China is to establish diplomatic links with the Caribbean island of St Lucia after it broke ties with Taiwan. Page 4

Clinton trade troubles: President Bill Clinton has a week to persuade a hostile US Congress to grant him fast-track authority to make new trade agreements. But Latin American support is giving way to concern about the strings that may be attached. Page 5

South Korean bond issue: South Korea is to test global market sentiment with a \$750m to \$1bn bond from the Korean Development Bank, the first large-scale offering since the country hit economic problems. Page 17; International bonds, Page 23

Ramos may seek second term: Manila's House of Representatives is expected to pave the way for constitutional amendments this week, as the debate intensifies on whether President Fidel Ramos should seek a second term. Page 4

New head for Optus: Cable and Wireless has appointed broadcasting specialist Chris Anderson to head its loss-making Australian communications subsidiary Optus. Page 17

European Monetary System: Most European Monetary System currencies moved towards their central parity rates within the system last week. All except the Irish punt are now within 1.5 per cent of their central rates against the grid's weakest currency, the French franc. That raises their chances of a comfortable conversion into the planned single European currency. Currency, Page 25

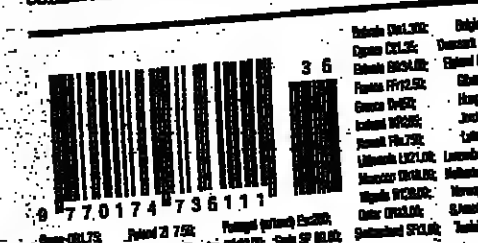
EMS: Grid

Aug 29 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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The world grieves for Diana

Tributes flood in as body is flown home from France

By John Kampner,
Chief Political Correspondent

The body of Diana, Princess of Wales, was flown to London from Paris last night after the car crash in which she died with her companion, Dodi Fayed, and their chauffeur. Diana, mother of the heir presumptive to the British throne, died in the early hours of yesterday. The crash happened during a high-speed pursuit by the photographers she had often courted but came to fear.

Her death triggered an outpouring of worldwide shock and grief perhaps not seen since the assassination of John F Kennedy in 1963. It sparked debate about the behaviour of the media in general and paparazzi photographers in particular. And it raised new questions about the future of the British monarchy.

World leaders were effusive in their praise for the princess's work for charity and her crusade to ban land mines.

Prince Charles, whose 15-year marriage to Diana ended in divorce a year ago, flew briefly to Paris with her two sisters to accompany her body back to London.

An announcement on funeral arrangements was expected today, with preparations for one of the most elaborate ceremonies of modern times in London and other world cities mourners flocked to pay private tribute

with flowers. One inscription read: "The nation has thrown away a jewel more precious than its whole empire."

Within hours, grief was turning into anger for many. Earl Spencer, Diana's brother, said proprietors and editors of publications which had paid for intrusive pictures of his sister had "blood on their hands".

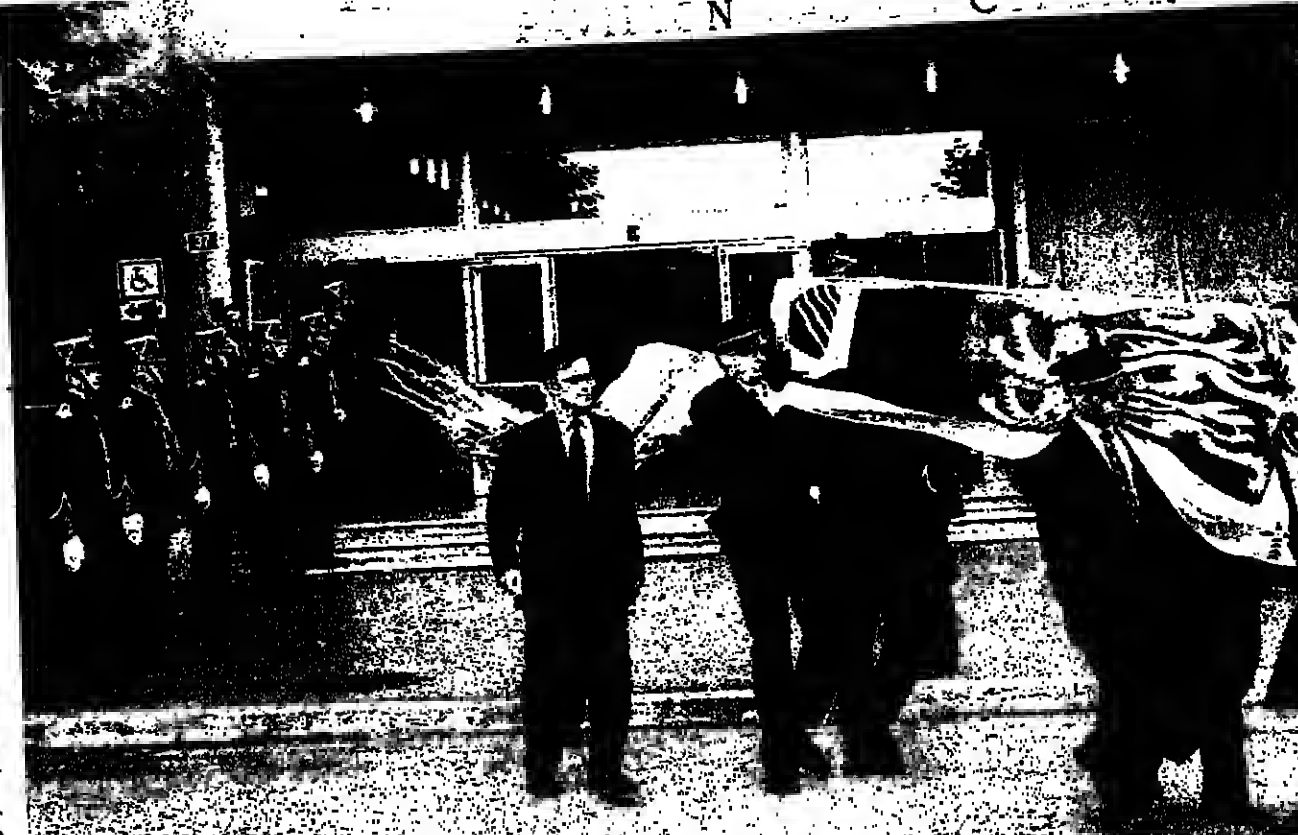
"I always believed the press would kill her in the end," he said. "But not even I could imagine that they would take such a direct hand in her death as seems to be the case."

Chancellor Helmut Kohl of Germany said the princess had been "victim of an increasingly brutal and unscrupulous competitive fight of a section of the media".

The British foreign secretary, Robin Cook, gave the strongest indication yet by the UK government that privacy laws might have to be strengthened. However Downing Street said further discussion of the issue was inappropriate for the moment.

Tony Blair, prime minister, said the British people regarded the princess as one of them. "She was the people's princess and that is how she will stay, how she will remain in our hearts and our memories for ever," he added.

US President Clinton said: "We admired her work for children, for people with AIDS, for the cause of ending the scourge of land mines in the world, and for her love for her



The coffin bearing the body of Diana, Princess of Wales, is carried from a Paris hospital to be flown back to Britain

Death of Diana - reports, analysis, obituary, Pages 6 and 7. Editorial Comment, Page 15

children, William and Harry." Praise and condolences came from such diverse figures as President Nelson Mandela of South Africa, President Boris Yeltsin of Russia and Mother Teresa of Calcutta.

The death will re-focus attention on the eventual succession to the throne, and on Charles's future marital status. He had been keen since

his divorce to raise the public profile of his long-time friend, Mrs Camilla Parker Bowles, although the possibility of a remarriage has bitterly divided public opinion.

Charles returned to Balmoral Castle in Scotland last night to be with his two sons and the rest of the royal family. Prince William, 15, is second in line to the throne

behind his father, the heir apparent.

In Paris, police were questioning several photographers who had been part of a group on motorcycles on the tail of the princess and Mr Fayed when the couple's Mercedes hit a concrete post in a road tunnel by the Seine. The recent close friendship between Mr Fayed and Mr Fayed's father, Mohamed

triggered a media feeding frenzy for photographs, intensifying the princess's barely-concealed anguish.

The manner of her death was made all the more gruesome by allegations that photographs of the mangled Mercedes in which she was trapped were being touted internationally for \$1m.

A lawyer for Mohamed Fayed, father of Dodi and owner of Harrods, said he would bring a civil suit as soon as a criminal inquiry was opened into the accident.

Shocked Parisians make crash site a memorial to princess

By Andrew Jack in Paris

The late summer sun did little to dispel the gloom over the French capital yesterday as news spread of the death of Diana, Princess of Wales, and Dodi Fayed.

"What can I say?" said one smartly dressed woman waiting at the exit of the hospital La Pitié-Salpêtrière in the east of Paris, where the couple

were taken after their car crashed late on Saturday night. "She was so young and beautiful, and at last she'd found a man. It's all so sad."

The traffic crawled past and several hundred people stood behind barriers nearby in an effort to witness the events as Lionel Jospin, prime minister, President Jacques Chirac and Prince Charles arrived during the day before the body of

Diana was removed during the evening.

On the steps nearby, there were dozens of bouquets of flowers with handwritten notes attached, and a large poster with photos of the princess from the time of the royal wedding with Prince Charles.

Other flowers had been placed at the base of the statue of a golden flame, a replica of the torch flame on

the statue of liberty in New York, which sits above the underpass by the Pont de l'Alma on the River Seine where the crash took place.

Groups of curious passers-by leaned precariously over barriers to catch a view of the site of the accident, marked by more flowers inside, and cars slowed down as they passed.

Journal du Dimanche, the national

French Sunday newspaper, rushed out a modified edition covering news of Diana's death before lunchtime yesterday.

But no one in France who had tuned into a radio or television station during the day could have failed to hear of the accident. There were lengthy news reports and interviews

Continued on Page 16

Wang in line to buy Olivetti's Olsy unit

By Paul Betts in Milan

Olivetti is discussing the possible sale of Olsy, its large computer systems and services subsidiary, to Wang Laboratories of the US.

Olivetti yesterday refused to comment, but the struggling Italian information technology group has made no secret of its search for international partners to strengthen its core businesses as part of its recovery strategy.

Roberto Colaninno, the Olivetti chief executive, recently regrouped the company's systems and services operation into the Olsy subsidiary that manages and maintains large computer systems for public institutions, banks and other large entities. With annual sales of about L4,500bn (\$9.5bn), it accounts for about half of Olivetti's revenues.

Several international companies are understood to have expressed interest.

But Wang, the former mini-computer manufacturer, which was reconstructed in 1993 as a software and services company, appears to have emerged

German finance minister pledges to stay in office

By Peter Norman in Bonn

Theo Waigel last night acted to re-establish his authority as German finance minister, insisting that he was not tired of office, that he would continue in the job and carry out his duties with all his strength.

In an interview with Germany's ZDF television channel, Mr Waigel did all he could to reverse the damaging perception, created by an interview screened 12 days ago, that he had lost interest in the finance ministry after more than eight years in office.

Highlighting his determination to fight on, Mr Waigel signalled an initiative to reform Germany's complex and inequitable tax system and so to enhance the country's economic prospects.

Looking serious and determined, he said he would seek a step-by-step reform in a compromise with the opposition Social Democrat party, which is set to reject the government's existing tax reform plans in the Bundestag, the second chamber of the Bonn parliament, on Friday.

Mr Waigel, who last month

shook the ruling coalition by calling for a cabinet reshuffle, said he agreed last week with Helmut Kohl, the chancellor, that they should focus on policy and avoid public controversy. But the minister did nothing to end speculation about tensions inside Mr Kohl's coalition when he used the interview to warn politicians from other government parties not to stir unrest in the Bavarian Christian Social Union, which he leads.

The damage arising from Mr Waigel's call and Mr Kohl's blunt rejection of change was apparent in a weekend opinion poll commissioned for the ZDF and the Süddeutsche Zeitung newspaper which indicated a further erosion in government support. It suggested the coalition of Mr Kohl's Christian Democratic Union, Mr Waigel's CDU and the small Free Democrat party would win only 42 per cent of the votes in a general election, compared with 50 per cent for a coalition of SPD and environmental Greens.

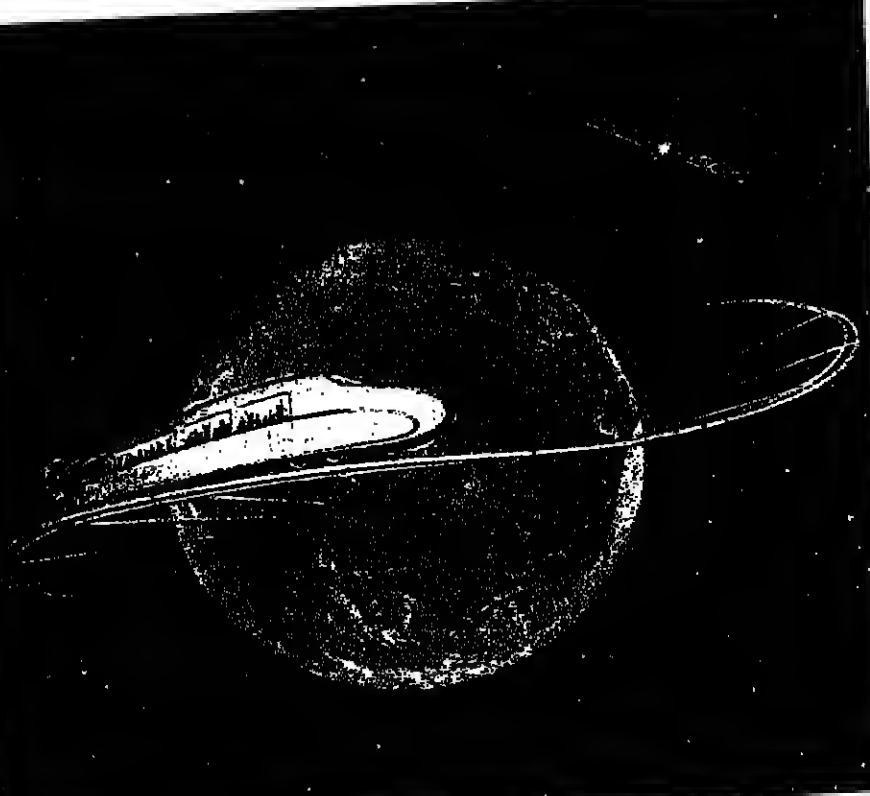
The poll also showed Oskar Lafontaine, the SPD leader,

Continued on Page 16

Bundesbank and rates, Page 2

CONTENTS

News	Week Ahead	Arts	Int Equities
International News	24	13	21
Princess Diana	6-7	Emerging Markets	23
UK News	15	International Bonds	25
Guide to the Week	34	FT/SE-A and Indices	21
This Week	9	Managed Funds	29-30
Weather	15	Currencies & Money	25
		Share Information	25-27
		World Stock Markets	32-33
		Bourses	31



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NEWS: EUROPE

Bundesbank not expected to raise rates this month

By Andrew Fisher
in Frankfurt

The Bundesbank faces conflicting internal and external pressures which make a rise in one of its key short-term interest rates unlikely until October, economists and monetary observers said over the weekend.

Without an overwhelming case in favour of raising rates to combat inflation - now at the 2 per cent annual level which the German central bank does not like to see over-stopped - Hans Tietmeyer, the president, is expected to opt for further delay, they added.

This would also avoid embarrassing both the German government, battling with disunity and lack of success to implementing tax reform, and France. Both countries are beset by high unemployment and hesitant economic growth.

While a small rise in the securities repurchase (repo)

rate, unchanged at 3 per cent for a year, would have little impact on the economy, it would have political repercussions. A rise in rates now could also lay the Bundesbank open to the charge of trying to sabotage European monetary union.

But the longer it waits, the smaller will become its window of opportunity in

point up rates, economists argue. With Euro members due to be selected in May, a gradual rise in the repo rate to about 3.5 per cent will need to start early enough for adequate co-ordination of monetary policy to ensure a credible euro.

A repo rate increase before this month's International Monetary Fund meet-

ing in Hong Kong would be regarded as insensitive, especially in view of the volatility of financial markets. But a rise immediately afterwards could make it appear the Bundesbank had succumbed to foreign pressure.

This takes the bank to October, by when it would also have more data on

which to base a decision. Mr Tietmeyer last week suggested the Bundesbank's concerns about price trends were not so serious as to prompt an early rate move. He said rises in import prices - partly influenced by the strong dollar - and other price components should not be dramatised.

Speculation about a rise in

the repo - foreshadowed by a move to more flexibility to the weekly tender process each Tuesday - had been fuelled by the concern over incipient inflation expressed by Oskar Issing and Johann Wilhelm Gaddum, two senior Bundesbank directors.

Mr Issing and Mr Gaddum carry considerable weight

and their comments suggest they would welcome a rate rise now. But a strong body of opinion on the bank's policymaking council - which meets this Thursday - feels the uncertain state of the economy does not warrant this. Prominent in this camp are Ernst Welteke and Hans-Jürgen Krapp, respective heads of the Frankfurt

regional central banks. "I have the impression that Mr Tietmeyer is sitting on the fence," said Thomas Mayer, German economist at Goldman Sachs. "But the doves have to realise that if the hawks can't deliver an interest rate, the D-Mark could again come under pressure."

The dollar eased last week after recently approaching DM1.90. Mr Tietmeyer expressed satisfaction at the fall - which eases inflationary worries - but said this did not reflect expectations that the bank would soon lift rates.

However, Hermann Remspurger, chief economist at BHP-Bank, worried the bank was in danger of doing "too little, too late". He said inflation could creep up to 2.5 per cent early next year. "The Bundesbank shouldn't wait too long - the nearer we approach the Euro decision process, the harder it will become."

Fall in construction sector spending likely to continue, Ifo says

By Peter Norman in Bonn

Germany's hard-pressed construction industry will fail to share in the country's economic recovery and continue in recession this year and next, at a cost of about 150,000 jobs, according to a leading economic research body.

Although the Munich-based Ifo economic research institute forecast that the sector's decline would slow, it predicted a continuing fall in overall construction spending.

Investment in building, which declined last year by 2.7 per cent, is

expected to fall nationwide by 1.8 per cent this year and 0.7 per cent in 1998. While Ifo predicted that the recession in western Germany's construction sector would come to a halt next year, it warned of a continuing sharp decline in eastern Germany. It forecast that building investment in the new Länder (states) would fall by 3 per cent this year and 2.9 per cent in 1998 after 1.7 per cent last year.

The end of the post-unification construction boom in the east has already stymied the region's efforts to catch up economically with the

west and is being reflected in a growing divergence of unemployment rates between the two parts of Germany.

The continuing weakness of the eastern German construction sector could add to tensions between the Bonn government and the European Commission in Brussels, which wants to curb the use of subsidies in the new Länder. It also casts an additional shadow over the political difficulties of Helmut Kohl's centrist coalition, which faced elections in 1998 in the eastern German states of Saxony

Anhalt and Mecklenburg-Vorpommern as well as at the federal level. Ifo warned of further job losses in the western German construction sector next year despite the forecast stabilisation of activity.

But eastern Germany faced a "further deterioration of an already precarious situation". While the number of jobs in building workers had increased by 14 per cent in western Germany in the past 12 months, the increase in eastern Germany was nearly 35 per cent. The institute said activity in western Germany had been hit by

tax changes, which reduced incentives to build rental accommodation, and an oversupply of business premises. These negative factors had been only partly offset by increased orders for single family homes, where low interest rates and Germany's slow economic recovery had stimulated demand.

The refurbishing of existing homes constituted one of the few bright spots in the east, with this activity being encouraged by low interest rate loans from publicly owned banks such as the Kreditanstalt für Wiederaufbau.

Slovenia's protected banks prepare to face the world

Institutions have survived transition from communism but must soon face real competition from abroad as barriers fall, writes Jack Grimston

As one of the countries expected to be in the front rank of European Union expansion, Slovenia is slowly preparing its financial sector for the radical shake-up expected to hit it as barriers to foreign competition are lowered.

While the country's 28 banks have mostly come through the transition from communism in good shape, their durability in the face of real competition is largely untested.

"It is still unclear what the impact of foreign competition is going to be," says Franjo Stiblar, chief economist at state-owned Nova Ljubljanska Banka, Slovenia's biggest. "Will foreigners come here in large numbers or is a market of 2m people just too small to be interesting?"

So far foreigners have made little impact. The four foreign banks with local sub-

sidaries have tiny market shares.

This is not entirely by choice. In its opinion on Slovenia's application for full membership, the European Commission identified freedom of capital movement as an area where the country needs to do "substantial work" to get ready for membership.

There are punitive restrictions on companies wishing to finance activities in Slovenia by taking out loans abroad. When these loans are converted into the domestic currency, the total 40 per cent must be placed in non-interest-bearing accounts at the central bank. This applies for loans up to seven years; for longer credits, a 10 per cent deposit is required.

This is just one of a string of regulations which hold back competition. Foreign banks may not establish

branches, and setting up a fully capitalised local bank is an expensive and bureaucratic process. In addition, a cartel agreement among the banks sets a ceiling on interest rates paid to depositors. There are no such agreements covering lending rates, which are falling only slowly and average about 20 per cent in nominal terms for a short-term loan.

Behind these regulations, Slovenia has gone about salvaging the once ailing bank sector without outside help. The two state banks, NLB and Nova Kreditna Banka Maribor, finished a rehabilitation programme in June.

Slovenia's 1991 split from former Yugoslavia almost brought them to their knees. In the case of NLB, some 23 per cent of its 1992 loan portfolio consisted of bad debts to Slovenian companies devastated by the loss of traditional markets.

Internal costs were high and the bank's assets in other former Yugoslav republics had been lost or frozen. As the new state did not have the financial resources to inject large amounts of new capital, it instead issued DM1.8bn (\$880m) of bonds in exchange for part of the non-performing loans.

About a third of the loans remained in the banks, where a combination of rescheduling, debt-for-equity swaps and other measures were used to improve performance.

NLB has now reduced its share of bad loans to 4 per cent. This, combined with cost-cutting and highly conservative lending policies, helped it return to profit in 1994. NLB made DM62m after tax last year.

The end of rehabilitation clears the way for privatisa-

tion. But the timing and methods for this are hotly debated and no decisions have been reached. Meanwhile some consolidation is now starting as banks try to grow to a size where they have a chance of long-term survival. There has been only one minor bank failure, last summer, but a few smaller banks have been taken over in the last few months.

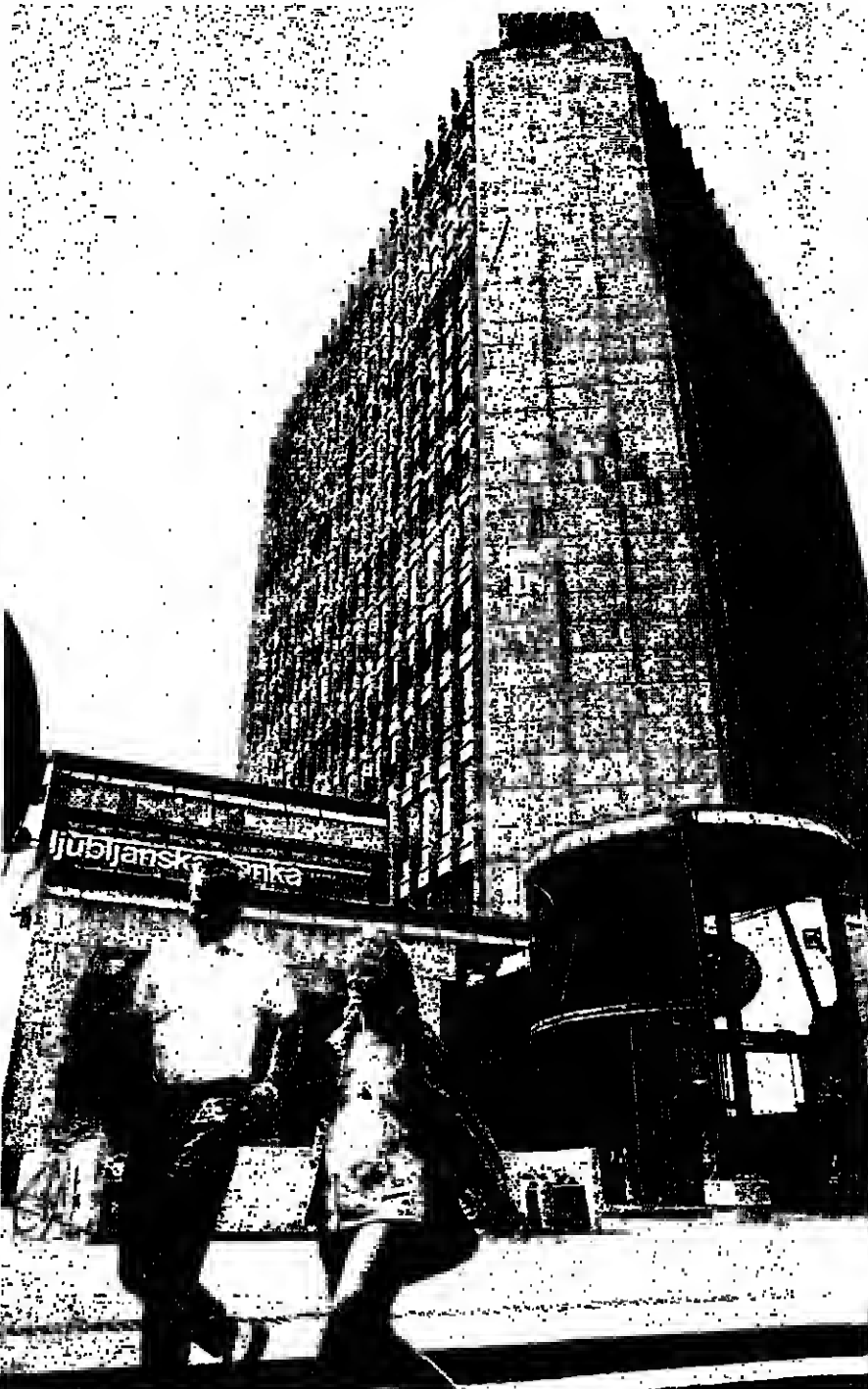
Concentration is already greater than the number of institutions would suggest. The state banks together with SKB, the largest private bank and 49 per cent foreign-owned, account for more than half the market.

While the protection of Slovenia's banks has helped them survive, it also made for sluggish development of services. A recent report from the Organisation for Economic Co-operation and Development said: "The financial system is still shallow in comparison with OECD and other central European countries."

A new banking law should kick-start the process. It will probably pass early next year and one of its most important effects will be to liberalise the rules for foreign banks setting up branches.

Other rules will stay in place for longer. In particular, the Bank of Slovenia says it must control capital flows to support its anti-inflationary monetary policy.

The country's association agreement with the EU gives it a transition period of four years to liberalise capital flows. After that, only the strongest Slovenian banks will stay alive. "In the medium term, our banks' advantages might just be in niche services," says Mr Stiblar.



A bank in Ljubljana: punitive restrictions have kept foreign competitors at bay, but things may have to change before Slovenia can join the EU

Melanie Filmer

Turkey to crack down on illicit oil trade with Iraq

By John Barham in Ankara

Turkey is to regulate a thriving if illegal barter trade with Iraq to raise badly needed tax revenues.

For years, Turkish traders have swapped food, household goods, cigarettes and alcohol for cheap Iraqi diesel oil, and resold it at home at prices that undercut local producers. Although the trade is a violation of United Nations sanctions imposed on Iraq following the invasion of Kuwait in 1990, it has become the main source of hard currency for Iraq's Kurds.

The government's Anatolian news agency said Petrol Ofisi, a state-owned chain of petrol stations, would buy, sell and tax the diesel, following a "recommendation" last Wednesday by the powerful military-dominated National Security Council that the traffic be brought under control.

Officials quoted by Anatolian said that the regulations would raise \$900m a year in tax and customs revenues.

Turkey's western allies tolerate the trade because it benefits the Kurds of northern Iraq and provides a livelihood for thousands of Kurds in south-east Turkey, although the family of Saddam Hussein, Iraqi presi-

dent, also profits from the traffic.

The border trade has come under de facto regulation at Habur bridge, the only crossing point between Turkey and northern Iraq controlled by Iraqi Kurdish forces since the 1991 Gulf war. Customs officials on the Turkish side limit the number of trucks allowed across the bridge and extract bribes on their return. Trucks are permanently lined up for several miles on the Turkish side awaiting permission to cross.

The Iraqi Kurds also charge customs dues, although disputes over control of the revenues are a main source of conflict between the region's two rival warlords.

Turkey's ministry of energy and the Russian gas monopoly Gazprom have signed a preliminary agreement to buy Russian natural gas via a \$3bn pipeline to be laid beneath the Black Sea. Anatolian reported, Russia is Turkey's only supplier of natural gas, but the existing pipeline is already operating at capacity. The two sides are expected to sign a deal for Turkey to buy 16bn cu m of Russian gas by 2010 via the pipeline, part of which will be built under the Black Sea between the ports of Tuapse and Samsun.

Man dies as police fight Chechens in southern Russia

At least one man was killed

and 11 were wounded in an armed clash between police and a crowd of ethnic Chechens in southern Russia, officials said yesterday.

The crowd dispersed by morning and the situation in the city was calm, according to the news agency Interfax.

Police reinforcements were brought to Khasavyurt, a town in Dagestan near the Chechen border where the clash occurred. Police and interior troops also reinforced checkpoints along the border.

Russia's interior ministry said the clash was provoked by an incident on Saturday in which Khasavyurt police detained a Chechen man suspected of rape.

Dozens of fellow Chechens then blocked the road on which the detainee was transported and released him by force. However, police managed to seize two of the attackers, the ministry said.

The crowd of about 500 armed Chechens who gathered near the town's main police station by night demanded their release, smashed several windows and opened fire at police officers when they tried to push the crowd back.

Three officers, including Khasavyurt's police chief, were wounded. Police fired back, killing one attacker and wounding seven, the report said.

Scattered Chechen attacks on police outposts were reported in Khasavyurt before dawn yesterday, in which one police officer was wounded.

The crowd dispersed by morning and the situation in the city was calm, according to the news agency Interfax.

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Jakarta acts Mahathir deni in bid to halt rupiah's fall

By James Kynge
in Kuala Lumpur

Indonesia became the latest south-east Asian nation to try to tame market forces by the imposition of selective currency controls yesterday, in an attempt to halt an 11 per cent slide in the value of the rupiah since early August and ease domestic interest rates.

The move, similar to steps already taken in Malaysia and Thailand, runs the risk of damaging confidence among stock market investors. Indonesia's stock market fell by about 7 per cent last week and the rupiah plunged to a historic low of 3,070 against the US dollar on Friday before recovering somewhat later.

"This kind of administrative control increases the risk premium for investing in Indonesia," said one economist for an international brokerage in Singapore.

"It will make investors wonder whether Jakarta will follow Malaysia's example and impose controls not only on the currency but also on the stock market."

Sudradjat Djiwandono, governor of the Indonesian central bank, ruled that forward foreign exchange selling against the rupiah by domestic banks to foreign customers would be capped at \$5m worth of rupiah per customer. He also said that positions outstanding in the forward market would be limited to the equivalent of \$5m per bank - a level which many banks are thought currently to exceed.

The regulations, which were retroactive from August 29, did make exceptions for transactions driven by genuine investment and trade requirements. But, Mr Djiwandono said, such exceptions must be proven by supporting documents which are permanently stored in domestic banks.

The bureaucratic burden

South Korea's finance minister, Kang Kyung-shik, yesterday faced calls for his resignation amid a sharp fall in South Korean stock prices and pressure on the currency. Reuters reports from Seoul.

Mr Kang, who took office in March vowing to restore confidence in financial markets battered by a corporate corruption scandal and a month of strikes, is now being attacked for doing too little too late.

His market "stabilisation package", unveiled last week in response to a slew of corporate failures, has failed to impress commentators.

Stocks crashed through the psychological barrier of 700 points on Saturday, with foreigners leading the sell-off.

The won plunged to an all-time low of 909.50 against the dollar on Tuesday before recovering to 902.00 on Friday.

of compliance with such guidelines could well slow the process of trade and investment in Indonesia, observers said.

Economists said Jakarta's move appeared to signal a shift in policy priorities. Authorities have been growing anxious over the slowing effect on economic growth which high interest rates, needed to support the rupiah, have been having.

Curbing the access of foreign speculators to the rupiah is likely to slacken pressure on domestic short-term interest rates, as happened in Malaysia after it imposed currency controls in early August. The concern of Indonesian authorities appears to be that the depreciating currency and the slumping local stockmarket have hit companies hard, making it difficult for some to meet loan repayments.

By James Kynge
in Kuala Lumpur

Mahathir Mohamad, Malaysia's prime minister, denied strong speculation at the weekend that Anwar Ibrahim had resigned as finance minister because of disagreements over how to combat the crisis in the nation's financial markets. "Anwar is not resigning. He is going to be there doing all he can about this thing," Dr Mahathir said. He added that "rumour-mongers" who spread such irresponsible notions "should be shot" because all they seemed to care about was making money at the expense of the country.

The speculation over Mr Anwar's resignation follows a recent denial that Ahmad



Mahathir: 'rumour-mongers should be shot'

Don, central bank governor, was also planning to resign. It also comes at a time when there are clear signs of policy disarray within the

nation's leadership. Mr Anwar, who is also deputy prime minister, has said that some of Malaysia's large infrastructure projects,

many of which are heavily reliant on imports, should be put on hold until an expanding trade deficit starts to narrow. The deficit is seen as a key cause of the Malaysian ringgit's 18 per cent decline since early July. It has also affected sentiment on the stock market, which is down 35 per cent from its peak in February.

But Dr Mahathir, who is the driving force behind the so-called "megaprojects", has rejected any suggestion that they be shelved. A reported remark from an International Monetary Fund official that the "megaprojects" might be put off, incurred the prime minister's ire at the weekend.

He said the IMF's motive was simply to prove that it had been right in recom-

mending that Malaysia slow its economy. The prime minister also criticised the IMF's package of aid to rescue Thailand from its financial crisis. "I would like to say that after [the IMF] helped Thailand, the Thai baht is still sliding and the Thai economy is still in bad shape," he said. "So why do you borrow from the IMF, which is not of any help?" Malaysia pledged US\$1bn as part of the US\$16.7bn Thai rescue package led by the IMF.

Other signs of strain within the government were revealed when Mr Anwar was not present at a key meeting last week to announce that pension funds would devote "billions of ringgit" to propping up the stock market. But Dr

Mahathir denied he had taken over the finance portfolio, saying it merely appeared so because he was responsible as head of government.

Malaysian economists reflected a mood of growing impatience with what many regard as the prime minister's refusal to address the country's concrete economic ills. "What is needed at this juncture is a clear policy direction by the authorities in critical areas and the will to stick to it," said Michael Yap, senior research fellow at the influential Malaysian Institute of Economic Research.

"Unclear policy directions will only add to the uncertainty of the situation. Investors get unsettled by uncertainties," he added.

Bankers seek sounder economic policies

International financial crises, such as the one currently sweeping south-east Asia, will not be averted unless individual governments pursue much sounder economic policies.

That was the gloomy if somewhat predictable conclusion of a two-day gathering of many of the world's leading central bankers, and financial market and academic economists this week-end.

Mr Alan Greenspan, chairman of the US Federal Reserve, called for much wider disclosure of economic statistics by all countries, to alert markets to the possibilities of developing crises. And a senior official of the International Monetary Fund said reforms put in place after the Mexican crisis of 1994-5 had largely failed to avert the rapid escalation of the currency and banking problems in Thailand this year.

Against the incongruously serene backdrop of Grand Teton National Park in north western Wyoming, central bank governors from the US, the UK, France and a dozen other countries joined international financial regulators and economists in reviewing the causes and

consequences of recent crises, notably those in Mexico and in Thailand.

Most agreed that, for all the current efforts at improving international financial supervision, if governments failed to get their own policies right, replays of such crises were virtually inevitable.

After the Mexican crisis, international regulators

avoided the currency and broader financial crisis that followed.

"The Thai case illustrates the limitations on what international agencies can do," Mr Fischer said. "Most of the responsibility for averting difficulties must rest with governments."

Mr Eddie George, governor of the Bank of England, told the conference that, contrary

'If governments failed to get their own policies right, replays of such crises were virtually inevitable'

pushed for improvements in the release of economic data by individual governments. At the same time, the IMF had agreed to be more forthright in warning countries that were on the brink of serious trouble. Mr Stanley Fischer, deputy managing director of the Fund, told the annual economics symposium here of the Kansas City Federal Reserve.

Though the IMF had been much more frank with the Thai authorities this year about the dangers they faced from a large current account deficit, heavy capital inflows and mounting banking sector problems, the government had been unable to

widespread belief, financial crises did not usually arise independently. "Though this may be embarrassing for a central banker to admit, destabilising influences more often flow from the macro-economy - especially policy - to the financial sector," he said. "It is unusual for markets to develop a crisis out of a clear blue economic sky."

Policymakers agreed this tendency for crises to be policy-induced placed a heavy responsibility for avoiding any escalation of difficulties on financial markets themselves. Vigilance by investors was necessary when governments' economic poli-

government is: "Don't let anybody know," he said. "If data release mechanisms are automatic, then all the embarrassing stuff comes out quickly."

According to a number of the academic economists at the gathering, however, the financial markets had sufficient information in advance of both the Thailand and Mexico crises but largely ignored the warning signs.

New research by Mr Morris Goldstein of the Institute for International Economics, a Washington-based group, suggests that in more than 30 banking and currency crises around the world in the last 20 years, ample evidence

of impending problems was available well before the event. This included unusually large current account deficits, rising interest and real exchange rates, and falls in equity prices.

On specific policies that should be pursued by emerging market governments to avoid future crises, all participants unsurprisingly agreed that maintaining price stability was essential. But there was also widespread agreement on a hitherto much more controversial proposition - that fixed or pegged exchange rates regimes had exacerbated or even prompted many of the recent crises.

While agreeing that the practice of pegging currencies to the US dollar had helped control inflation in many countries, Mr Frederic Mishkin, an economist with the New York Federal Reserve Bank, pointed to two important characteristics in emerging market economies that made such a policy highly risky, especially for those countries with a weak banking sector.

First, emerging market economies have a much higher proportion of their total borrowing in short-term debt than indus-

trialised countries typically have.

When interest rates are raised to defend the fixed currency rate, the high concentration of short-term borrowing means debt servicing costs rise quickly, hitting demand.

Second, most emerging market economies have a high proportion of their foreign liabilities in US dollars. When governments are eventually forced into a devaluation of the pegged exchange rate in a crisis, the move delivers a disproportionate shock to the economy, since it raises suddenly the cost of servicing the foreign currency debt.

With a floating exchange rate, the impact on the economy of a currency depreciation is much more gradual. "A fixed exchange rate regime (for most emerging market economies) is like putting the economy on a knife edge. One slip and the economy comes crashing down," Mr Mishkin argued.

"For central bankers there is nervousness about how countries can secure an exit from fixed rate regimes," said the Bank of England's Mr George.

Gerard Baker

New Headquarters for Fiat

New facilities, but rich in history

Effective today, Fiat S.p.A., Fiat Géva, Fiat I&CS, Fiat International and Fiat Se.p.in. are moving from Corso Marconi to their new operational headquarters in the Fiat Building at 250 Via Nizza in the Lingotto Complex. Built between 1917 and 1926 to a design by Giacomo Mattè Trucco, the Lingotto, which Le Corbusier called "one of industry's most remarkable displays," ceased manufacturing operations in 1982. Over the years, cars that marked the progress of the Italian automotive industry rolled off its assembly lines: from the Balilla to the Topolino and the 1100.

Thanks to the renovation work of Fiat Engineering, the Fiat Building, which had served as corporate headquarters



in the past, has now been returned to its traditional function.

Featuring leading-edge structural and technological solutions, the Building has also been restructured architecturally and has been equipped with state-of-the-art online facilities.

All changes, but some things remain the same:

The switchboard will continue to operate 24 hours a day, 365 days a year, at +39-11-686-1111.

For all the individual offices, the existing telephone, fax numbers and e-mail addresses will remain unchanged.

Visitors are welcome from 8:00 AM until 6:30 PM.

Palazzina Fiat

Anglo American Platinum Corporation Limited

(Incorporated in the Republic of South Africa)
(Registration number 59/02518/06)
("Amplats")

Lebowa Platinum Mines Limited

(Incorporated in the Republic of South Africa)
(Registration number 63/06144/06)
("Leplats")



Rustenburg Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 05/22452/06)
("RPH")

Potgietersrust Platinums Limited

(Incorporated in the Republic of South Africa)
(Registration number 01/06353/06)
("PPRust")

(collectively "the Amplats Group")

Results of restructuring of the Amplats Group and surrender of share certificates

Further to the announcement of Tuesday, 12 August 1997 the Amplats Group is pleased to announce that:

- the High Court of South Africa (Witwatersrand Local Division) has sanctioned the schemes of arrangement proposed by RPH between Amplats and its shareholders, PPRust and its shareholders (other than Amplats and RPH) and Leplats and its shareholders (other than Amplats and RPH) ("the schemes"); and
- the Orders of Court and all special resolutions have been lodged with and registered by the South African Registrar of Companies.

Accordingly, all conditions precedent to the restructuring of the Amplats Group have been fulfilled and the restructuring will become operative with effect from today, Friday, 29 August 1997. In terms of the restructuring, Amplats will become a wholly-owned subsidiary of RPH and PPRust and Leplats will become 100% owned by RPH and Amplats. With effect from Monday, 1 September 1997 the name of Amplats will be changed to Amplats Limited and the name of RPH will be changed to Anglo American Platinum Corporation Limited.

Stock exchange listings

With effect from the commencement of trading on Monday, 1 September 1997 the listings of Amplats shares, PPRust shares and Leplats shares will terminate on the Johannesburg Stock Exchange ("the JSE").

Anglo American Platinum Corporation Limited (formerly RPH) shares will be quoted in the "Mining: Metals & Minerals: Platinum" sector of the JSE list under the abbreviated name "Amplats".

Application has been made to the London Stock Exchange ("the LSE") for the Anglo American Platinum Corporation Limited (formerly RPH) consideration shares to be admitted to the Official List. It is expected that such admission will become effective and that dealing in such shares will commence on Monday, 1 September 1997. The listings of PPRust and Leplats shares will terminate on the LSE on Monday, 1 September 1997.

Surrender of share certificates

If they have not already done so, holders of RPH, Amplats, PPRust and Leplats shares are requested to surrender their respective share certificates and/or other relevant documents of title as soon as possible to Consolidated Share Registrars Limited, 1st Floor, Edura, 41 Fox Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) in South Africa or IRG plc, Balfour House, 390-398 High Road, Ilford, Essex, IG1 1NQ in the United Kingdom in order that they may receive the Anglo American Platinum Corporation Limited (formerly RPH) share certificates to which they are entitled.

RPH share certificates will no longer be good for delivery in respect of transactions concluded with effect from the commencement of trading on Monday, 1 September 1997.

Forms for the surrender of share certificates and/or other documents of title were included in the circulars dated Wednesday, 18 July 1997 which were sent to shareholders and further forms of surrender will be posted to all RPH, Amplats, PPRust and Leplats shareholders, together with a copy of this announcement, on or about Monday, 1 September 1997.

Johannesburg
29 August 1997

Anglo American Platinum Corporation Limited

("Amplats")
(Incorporated in the Republic of South Africa)
(Registration number 59/02518/06)

Notice to holders of share warrants to bearer of Johannesburg Consolidated Investment Company, Limited (since renamed Johnnies Industrial Corporation Limited)

Holders of Share Warrants to Bearer issued by Johannesburg Consolidated Investment Company, Limited (which Company's name was changed to Johnnies Industrial Corporation Limited with effect from 15 May 1995 - hereinafter referred to as Johnnies) are referred to the "Notice to Holders of Share Warrants to Bearer", published on 28 April 1995, which, in essence, informed holders of Johnnies Share Warrants to Bearer that as a result of the restructuring of Johnnies assets which became effective from 15 May 1995, holders of such Share Warrants to Bearer would, upon surrender of their Warrants, be entitled to receive, for each Johnnies bearer share held, one registered share in each of the three new entities emerging from the restructuring of Johnnies namely:-

- (1) Anglo American Platinum Corporation Limited (Amplats).
- (2) JCI Limited.
- (3) Johnnies Industrial Corporation Limited.

Holders of Johnnies Share Warrants to Bearer are advised that circulars dated 16 July, 1997 have been issued containing proposals for the restructuring of the Amplats Group of Companies, comprising:-

- Anglo American Platinum Corporation Limited, and its associated companies:-
- Rustenburg Platinum Holdings Limited (RPH)
- Potgietersrust Platinums Limited (PPRust)
- Lebowa Platinum Mines Limited (Leplats)

into a single listed entity as a result of which it is intended that RPH will emerge as the single listed entity, that Amplats, PPRust and Leplats will become wholly-owned subsidiaries of RPH and be de-listed from Monday, 1 September 1997 and that the names of Amplats and RPH will be changed respectively to Amplats Limited and Anglo American Platinum Corporation Limited.

The attention of holders of Johnnies Share Warrants to Bearer is drawn to the fact that the above restructuring proposals have been approved by shareholders of the Amplats Group of Companies and sanctioned by the High Court of South Africa and thus they are entitled to receive 46 RPH consideration shares for each 100 Amplats shares.

In order to receive the RPH consideration shares, holders of Johnnies warrants are required to surrender their Share Warrants to Bearer together with completed forms of surrender to:-

Barclays Bank PLC
Barclays Global Securities Services
8 Angel Court
Throgmorton Street
London EC2R 7HT

Share certificates for RPH consideration shares will be despatched to the address stated in the Form of Surrender within 7 business days of receipt of the surrender Warrants.

Copies of the circulars containing details of the proposed restructuring and surrender forms may be obtained from Barclays Bank PLC at the address stipulated above.

1 September 1997

The Financial Times plans to publish a Survey on

World Economy & Finance

on Friday, September 19

This survey is published to coincide with the IMF & World Bank meetings.

For further information, please contact:

Hannah Pursell

Tel: +44 171 873 4167 Fax: +44 171 873 4296

or Tim Hart in New York

Tel: +1 212 752 4500 Fax: +1 212 319 0704

or your usual Financial Times representative

FT Surveys

NEWS: INTERNATIONAL

Opposition in Mexico awakes to bigger role

President Zedillo is in an unfamiliar position, says Daniel Dombey

When members of Mexico's new Congress took office this weekend, they were making history.

Not in 70 years has a Mexican president faced an opposition-dominated elected chamber, nor one which enjoyed so much democratic legitimacy.

In the past, the Congress served as little more than a rubber stamp for presidential fiat, with most important decisions taken behind closed doors.

Now, however, even the president's own Institutional Revolutionary Party (PRI) is showing greater independence from the government. It is far from clear whether President Ernesto Zedillo's administration will be able to push through key parts of its agenda, particularly in the economic sphere.

Controversy dogged the installation of a new Congress when the PRI refused to attend, arguing that opposition deputies had failed to delay the swearing-in ceremony as requested by the PRI.

However, since the opposition met the quorum for the swearing-in, the installation went ahead as planned.

"Perhaps the government thinks that things are going to be like they were," said Carlos Medina Plascencia, the leader of the opposition National Action party in the Chamber of Deputies.

"Someone is going to have to wake them up. Somebody is going to have to shake them and shout 'Good Morning' in their ears."

Although the administration acknowledges times have changed since the last Congress, when 90 per cent of new legislation was initiated by the executive, the



Zedillo: not clear whether his administration can push through key parts of agenda

government and the PRI have at times appeared bemused by the new circumstances.

Ever since July's congressional elections deprived the PRI of its majority - for the first time in its history - the removal of the party's leader, Humberto Roque Villanueva, has been awaited.

As yet, however, machinations within the PRI have prevented any decision, leaving a vacuum at the top of the party. Meanwhile, the government has maintained a low profile, leaving plenty of media space for the newly elected opposition representatives.

"We have won the elections and we are going to govern as the majority in Congress," said Porfirio Muñoz Ledo, the leader of the leftwing Party of the Democratic Revolution in the new Congress.

The PRI maintains a healthy majority in the country's Senate, but won only 239 out of 500 seats in the more powerful Chamber of Deputies, which approves the national budget.

The four opposition parties

though ideologically diverse - have moved quickly, forming an alliance to take control of Congress's ruling bodies, although on many policy issues the opposition bloc members remain poles apart.

Both the leftwing PRD and the traditionally conservative PAN, the parties which dominate the opposition, have kept up a vociferous public campaign to cut the country's VAT, one of the most unpopular taxes.

The government and the PRI argue that since food and medicines are exempt from VAT, any cut would favour the better off disproportionately.

It adds that a VAT cut would push up raise Mexico's modest budget deficit, unless it was properly financed.

As far as the wider public is concerned, the PRI's cause is all but lost. Even the administration's own private polls show massive support for the opposition's proposals for VAT.

The party leadership concedes that Mr Zedillo is likely to suffer a historic reverse over the tax.

"The most important thing is the general state of public finances rather than the level of VAT," said Arturo Núñez, PRI leader in the Chamber of Deputies. "An unbalanced budget would lead to the same old cycle of devaluation, inflation and further devaluation that Mexico has lived through so many times."

However, Mr Muñoz Ledo, the most prominent opposition leader in the new Congress, thinks a higher budget deficit than the current 0.5 per cent of gross domestic

product can be justified.

Nor is it clear the government will be able to win battles on other sensitive economic issues, such as the level of the minimum wage. Its more economically cautious position is generally harder to sell than the arguments of its opponents.

In spite of the looming problems, the administration has taken few concrete steps to win over public opinion. The presidency will be setting up no special Congressional liaison office.

Individual ministries will have to fight their own legislative battles with little co-ordination from the centre.

Nevertheless, the government took the proactive measure of passing much of its most controversial legislation, including bills to privatise airports and petrochemicals, and the liberalisation of social security, in the last legislature.

It is confident the unlikely alliance between its disparate opponents will not last long.

Administration officials argue their agenda of judicial reform and expanded social programmes is close to some of the opposition's key demands. Recently, however, even the PAN has become much cooler on privatisation, a policy it has traditionally strongly favoured.

The administration may find support for key measures hard to come by, even from its own party.

"The parties' policies are fairly close to each other, even including the PRI," said Mr Muñoz Ledo. "The real difference is with the technocrats in the government. It is their rule that we aim to end."

China-St Lucia ties established

China is to establish formal diplomatic ties with the Caribbean island of Saint Lucia today, Reuters reports from Beijing.

Foreign ministry spokesman Shen Guang said in a statement published by the People's Daily that Beijing "highly appreciated" the decision by Saint Lucia to break off ties with Taiwan.

China regards Taiwan as a renegade province and as such is not entitled to engage in international relations.

Taiwan said on Friday it had severed ties with Saint Lucia in response to the Caribbean island's efforts to court China.

Taipei said Saint Lucia's ruling Labour party had been actively pursuing ties with Beijing since it won an election in May.

Taipei's decision came one week after local media reported that Saint Lucia's cabinet had decided after a 13-hour debate on August 21 to switch ties to Beijing.

The diplomatic break reduced the number of states that recognise Taipei's exiled government to 30.

Taiwan and China have engaged in a tense diplomatic tussle since they were split by a civil war in 1949.

Beijing says Taiwan is not entitled to international recognition.

Taipei agrees that Taiwan and mainland China should be re-united eventually, but says the island has the right to pursue diplomatic ties during the current estrangement.

Tension rises over second term for Ramos

By Justin Marozzi in Manila

The Philippine House of Representatives is expected to approve a controversial move paving the way for constitutional amendments this week, as the debate intensifies on whether to allow President Fidel Ramos to run for a second term.

The political temperature in Manila has risen considerably in the past week with the introduction of a resolution to turn Congress into a constituent assembly to revise the constitution and, critically, lift term limits on elected officials.

Under the present 1987 constitution, the president is limited to one six-year term. Angry opposition members in Congress staged a walk-out on Thursday in protest against what they called a "dictatorial" railroad of the process by the administration majority.

In the lower house - where around a third of congressmen are restricted by the present term limits from running again - all signs indicate overwhelming support for amendments.

Approval in the House would need to be followed by endorsement in the Senate where allegiances remain unclear at present. According to one newspaper report yesterday, only nine senators are set to vote against the resolution.

"What worries me in all this is that now the debate has entered Congress, the president no longer has direct control of the process," said a western diplomat.

"And with the economy threatening to slide out of control, that could be dangerous for the country."

Last week, the country registered the first slowdown of the economy since Mr Ramos was elected in 1992.



President Ramos: limited to one six-year term under the present constitution

with first half gross national product slipping from 7.5 last year to 5.9 per cent.

Continued uncertainty on the region's foreign exchange markets and the rising political uncertainty have blunted the Manila stock market which lost 18.43 per cent on the week at the close last Friday.

The issue of another Ramos term is arousing passionate divisions in a country which overthrew the dictator Ferdinand Marcos 11 years ago, after two decades in power.

Former president Corason Aquino and Cardinal Jaime Sin, both prominent leaders of that revolution, have called for a mass rally on September 21 - the 26th anniversary of Mr Marcos' declaration of martial law - opposing any tinkering with the constitution.

"This is what the people are witnessing 11 years after the strongman was kicked out on his ear," said an editorial in a Manila newspaper yesterday.

"An orchestrated song and dance designed to lend legitimacy to one man's extended rule. It's time to shoot the piano player and run the dancers out of town."

Taiwan's first ratings group starts coverage

By Laura Tyson in Taipei

Taiwan Ratings, the country's first credit rating agency, launched its Taiwan coverage at the weekend with the first assessments of companies in Taiwan's vibrant high-technology sector.

The fledgling agency, formed earlier this year as a joint venture between Standard & Poor's and several government-backed Taiwanese partners, including the Taiwan Stock Exchange, released estimates of credit quality for 14 companies based on publicly available information.

Bruce Hyman, director of corporate ratings at S&P, which holds a 50 per cent stake in the new agency, said the analysis identified quite divergent levels of credit quality among the companies assessed.

Taiwan's information technology industry now ranks third in output behind the US and Japan, according to official figures. Many of Taiwan's high-tech companies, including top-ranked Taiwan Semiconductor Manufacturing, have strategic alliances with foreign partners as well as debt overseas and in Taiwan.

"In the Taiwan market, there is very little differentiation in pricing of debt issues but the credit quality of companies varies greatly," said Chen Chung-hsin, president and chief executive of the new agency.

"The establishment of a credit rating agency will provide a benchmark and help improve market discipline and transparency."

Taiwan is among the world's biggest markets in commercial paper, with primary issuance topping T\$6,000bn (US\$200bn) in 1996. However the corporate bond market (maturity lon-

ger than one year) is underdeveloped, with just 140 issues last year averaging T\$1bn (US\$35m) in size.

Issues will likely be fewer this year due to the strong stock market performance.

Taiwan Ratings officials stressed the professionalism and independence of the agency, noting that the evaluation committee was composed mainly of overseas experts to ensure fairness.

The risk assessment techniques used would be the same as those applied by S&P in other markets.

They emphasised information provided by the companies would be kept strictly confidential and even the Taiwan government would be unable to gain access.

Historically, investment decisions in Taiwan are based on subjective criteria such as the borrowers' name and reputation. In the absence of a reliable and objective rating system, underwriters have difficulty bargaining with issuers.

Currently no Taiwan corporates have credit ratings. Among financial institutions, two banks have actual credit ratings from S&P.

Seven other banks and six or seven insurance companies have "public information" ratings, or a general credit quality assessment.

Palestinians to appeal to Albright over Israeli stance on Oslo accord's redeployment timetable

West Bank troop withdrawal on hold

By Judy Dempsey in Jerusalem

Israel said yesterday that it had no intention of implementing its scheduled second troop withdrawal from the West Bank, forcing relations with the Palestinian Authority to fall to a fresh low.

Under the 1995 Oslo Interim Agreement, which granted limited autonomy to the Palestinians, the second redeployment was supposed

to take place six months after the first pullback.

After considerable delay, the first redeployment took place last March when Israel returned only 2 per cent of land to full Palestinian control but the PA refused to accept it, saying it was too little.

"We see no reason to discuss the redeployment if they [the Palestinians] do not keep up their side of the bargain in cracking down on terrorism and cracking down

on the infrastructure of terrorism," said David Bar-Ilan, media adviser to Benjamin Netanyahu, the Israeli prime minister. He was referring to the double-suicide bomb attack on a Jerusalem market in July which killed 17 people.

The Palestinians are insisting that the redeployment scheduled for September 7 take place. They said they would raise this with Madeleine Albright, US secretary of state, who is due to

visit the region for the first time next week.

The redeployment timetable was designed so that the contours of a Palestinian state would be drawn before the final status talks started in earnest. These talks are supposed to focus on the Israel's future borders, the status of Jerusalem, Palestinian refugees, settlements and water.

Saeed Erekat, chief Palestinian negotiator, said: "It is clear that Netanyahu does

not want to go ahead for ideological and political reasons. He is taking each bit of the Oslo accords and renegotiating them."

Israeli officials denied they were renegotiating the Oslo accords.

"There was only a firm date for the first and the third pullbacks," said Mr Bar-Ilan, who added that Israel was not ready to consider returning 70 per cent of revenues owed to the PA which it had refused to pay

since the July bombing.

"Withholding these transfers is a sanction," said Mr Bar-Ilan. The US and the European Union have sharply criticised the sanction, saying that, along with the continuing closures, they amounted to a "collective punishment on the Palestinians".

Yesterday, the IMF called on Israel to resume the full transfer of the revenues, saying the PA was facing liquidity and financing needs.

UN chief calls for action over Algeria

By Randa Khafiz in London

In a signal that the United Nations may be prepared to play a role in ending Algeria's bloodshed, Kofi Annan, United Nations secretary general, said at the weekend that the world could no longer ignore the five-year-plus conflict.

"We are dealing with a situation which for a long time has been treated as an internal affair," said Mr Annan. "And yet as the killing goes on, and the numbers rise, it is extremely difficult for all of us to pretend it is not happening; that we don't know about it and we should leave the Algerian population to their lot."

Mr Annan said it was necessary for the international

community to go beyond words of condemnation "quietly and discreetly", adding that he hoped to "find ways and means of encouraging the parties to cease violence".

Since the outbreak of violence in Algeria in 1992, following the cancellation of elections which the Islamic Salvation Front (Fis) was poised to win, Algeria's army-backed government has reacted strongly against any suggestions of outside interference.

Western governments have tried to stay clear of the conflict, and have helped the Algerian government with debt reschedulings and International Monetary Fund credits without putting pressure on it to seek a political solution.



Aftermath: People check bodies in the street for relatives after Friday's massacre in Raïs

ical solution.

The UN secretary general's reaction followed a night of slaughter last week in villages south of Algiers, in which between 200 and 300 people were killed, according to unofficial sources. The government, which has often claimed that violence was 'living its last hours', put Thursday night's death toll at 98. The massacre followed weeks of stepped-up violence, which left several

hundred people dead. Since 1992 it is estimated that more than 60,000 people have been killed in Algeria.

Abassi Madani, the Fis chief who was recently released by Algerian authorities, responded to Mr Annan's call with a letter expressing his willingness to "immediately" call for an end to the violence and "prepare the opening of a serious dialogue" with the government.

Mr Madani's release in July had raised hopes of a possible dialogue. However, the Algerian government has long maintained that the Fis is no longer capable of controlling the violence, which it blames on extremist armed Islamist groups known as GIA. The Fis has denounced the GIA and condemned massacres of civilians. Fis leaders believe the extremist groups are infiltrated by the government.

French boost for internet software

By Andrew Jack in Paris

France is poised to liberalise regulations on computer encryption technology which could boost its efforts to encourage development of the internet.

The government is shortly to publish an official decree which would for the first time allow easy access to and use of software which encodes sensitive information in order to protect it from unauthorised interception. The move could prove especially important for companies attempting to sell products and services over the internet, but which have been concerned about their protection of credit card numbers and other financial information provided by their customers.

France remains one of the few western countries to impose such restrictive legislation on encryption, with only certain categories of users currently allowed to use the software.

Other nations which continue to restrict the use of cryptography tightly in order to control the transfer of sensitive information include Iraq, Libya, Singapore and China.

While many more countries - including EU member states and the US - restrict the export of sophisticated encryption technology as a product important to national security, most have more liberal guidelines concerning the circulation and application of software within their own borders.

The new decree in France follows a 1996 telecommunications regulation law, which opened the way to liberalisation of encryption software but which has so far not led to publication of any details of how the measures could be applied.

The latest move comes after Lionel Jospin, the prime minister, made a speech last week highlighting the "delay" in France of uptake of the internet and promising initiatives to give it a higher priority.

Leslie Crawford

INTERNATIONAL NEWS DIGEST

Egypt court sentences spies

An Egyptian court yesterday sentenced an Israeli man to 15 years in prison with hard labour after finding him and three others guilty of spying for Israel.

The verdict on Azam Azam, an employee at an Israeli textile company in Cairo, was immediately condemned as an "outrage" by Benjamin Netanyahu, the Israeli prime minister.

Emad Abdel Hamid Ismael, an Egyptian, and two Israeli women who were tried in absentia, were also found guilty of planning to provide industrial secrets to the Israeli intelligence service, by a state security court.

Mr Netanyahu has on several occasions personally asked President Hosni Mubarak of Egypt to have Mr Azam released.

Mr Azam and the two women are all Moslem Druze Israelis. Mr Azam and Mr Emad were arrested when confidential information was found written in invisible ink on women's underwear in the possession of the accused. Mark Hubbard, Cairo

ASIA-EUROPE SUMMIT

Cook rules out Burma

Burma's ruling military regime is very unlikely to be invited to the Asia-Europe summit to be hosted in London next April by the UK government, Robin Cook, the British foreign secretary, said in Manila at the weekend.

At a joint press conference with his Philippine counterpart, Domingo Siazon, the UK minister said "I would not hold out very much hope" that Burma's participation at the Asia-Europe Meeting (Asem) would get the necessary consensus from the European Union, which will be chaired by Britain for the first half of 1998.

Mr Cook made clear Britain would ostracise Burma until its return to democracy. David Buchan, Manila

ANGOLA SANCTIONS

Unita promises action

Angola's former rebel movement Unita said yesterday it would fulfil UN Security Council demands to avert new sanctions, but officials close to the peace process said they doubted Unita's will to comply.

Last week the Security Council announced a package of sanctions due to come into effect on September 30 unless Kofi Annan, UN secretary general, confirms that Unita has taken "concrete and irreversible steps" to fulfil its obligations. The measures include curbs on Unita travel outside Angola and closing down the organisation's offices abroad.

The threat of sanctions was sparked when the former rebels consistently delayed implementing three key elements of the Lusaka agreement: handing over the vast territory they still control, defining the number of armed troops they maintain and reforming their propaganda radio station into a non-partisan entity. Reuters, Luanda

TRINIDAD

President collapses

Arthur Robinson, president of Trinidad, was sent to a medical clinic for "routine tests" yesterday after collapsing during a ceremonial troop review, Wade Mark, information minister, said.

The president fell ill while inspecting troops at a parade marking Trinidad and Tobago's 35th anniversary of independence at the Queen's Park Savannah.

He collapsed into the arms of his aides, according to reports, and was immediately rushed by car to the nearby medical institution. Reuters, Port of Spain

AQABA AIRPORT

Jordan-Israel air accord

Jordan and Israel yesterday signed an accord to divert international flights from Israel's congested Eilat resort to the kingdom's Red Sea Aqaba airport, a possible first step to a jointly run facility.

"The memorandum of understanding has set some principles for the future, this is not the end but the very beginning, we are looking forward to having things in the future more concrete," Jordan's transport minister, Bassam al-Saket, said after the accord was signed by the two countries heads of civil aviation.

Officials said they hoped Israel would start diverting flights on a trial basis from Eilat airport to Aqaba within a month from the signing and expected traffic to grow to at least 35 flights per week at the end of the trial scheme.

Eventually if the project succeeds it could pave the way for the first jointly run airport in the Middle East. Reuters, Aqaba

Fast track, destination uncertain

Latin American countries are doubting the potential benefits of US trade accords

On September 10, President Bill Clinton will ask the US Congress to grant him fast track authority to negotiate new trade agreements. Without it, the president's ability to pursue talks on a Free Trade Area of the Americas (FTAA) and conclude accords at the World Trade Organisation will be in jeopardy.

Mr Clinton has just over a week to build support for fast track in a Republican-controlled Congress that has been hostile to the idea since 1994, when the North American Free Trade Agreement with Mexico and Canada went into effect.

As a result, presidential aides say key aspects of the bill are still under discussion, including the length of the negotiating mandate and whether labour and environmental issues should form an integral part of future trade pacts.

Jay Byrnes, the president's chief adviser on fast track, says a "clear" fast track bill - a trade negotiating mandate with no strings

attached - is not on the cards.

"Given the extent of concern in Congress over foreign labour and environmental practices, it is hard to conceive that Congress will just give the president a clean negotiating mandate," he said.

Mr Byrnes said he hoped the bill would move swiftly through Congress, with the administration seeking a first vote in the House of Representatives in early to mid-October, in time for Mr Clinton's trip to Argentina, Brazil and Venezuela, with the Senate acting shortly thereafter.

In Latin America, however, support for Mr Clinton's regional trade initiative is rapidly being supplanted by concerns over the strings that may be attached to the president's fast track authority.

At a summit in Asuncion, Paraguay, last weekend, presidents of the 14-nation Rio Group said they remained committed to trade integration. But they warned "Labour rights and the links

between commerce and the environment... must be dealt with exclusively at the corresponding multilateral fora: the International Labour Organisation and the Environment and Commerce Committee of the World Trade Organisation."

In Washington, a Brazilian diplomat went further. "Brazil does not want the issue of labour rights to be used as an excuse for raising new protectionist barriers against trade," he said. "We hope the wording of the fast track bill will be moderate, otherwise it might set US trade negotiators on a collision course with Latin America."

Other Latin American governments are worried that fast track is being marketed on Capitol Hill exclusively as a means to tear down barriers against US exports. "IAT's a recent lunch with ambassadors, Charles Barshefsky, US trade representative, is reported to have said that a Free Trade Area of the Americas would be a "tremendous free lunch" for the US. Her comments caused acute indignation.

"Free trade must be the equaliser, and it must advance Latin America's development," says John Biehl, the Chilean ambassador. "If the US does not conceive the negotiations as a two-way deal, then the only escape Latin Americans will have from poverty in the 21st century is through massive migration."

There are also differences between the US and Latin America on how rapidly negotiations should proceed after FTAA talks are formally launched at a second Summit of the Americas in Santiago, Chile, next April.

The US wants to begin discussions on reducing tariffs next year, but the Mercosur customs union, which links Brazil, Argentina, Uruguay and Paraguay, wants to take a more gradual approach, starting with talks on non-tariff barriers and leaving talks on market access and tariffs to the year 2003.

Brazilian negotiators argue they are not in a position to consider further tariff reductions in the near future

because of the country's widening trade deficit and an anti-inflation policy that is anchored on a strong currency.

Chile, an associate member of Mercosur and a strong advocate of free trade, has also shifted its position recently to reflect the views of the Mercosur bloc.

After lobbying for many years to be included in the North American Free Trade Area, Chile's enthusiasm has waned. It has also been told by US trade negotiators that accession to Nafta is a controversial option because of the treaty's unpopularity in the US. Mr Clinton has offered to negotiate a bilateral treaty instead, but Chile, sensing its sudden isolation, has not greeted the proposal warmly.

"Bilateral negotiations would be a humiliating experience for Chile," Mr Biehl said. "We do not want to be the showcase in which the US gets to correct all the things that went wrong with Nafta."

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11. It must be able to capture every moment of life.
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DEATH OF DIANA, PRINCESS OF WALES

PAPARAZZI - By Richard Adams

Facing life without their favourite subject

The world's paparazzi - photographers who snap the rich and famous - were yesterday adjusting to what may be a new era: life without their favourite subject and the end of their licence to hunt celebrities.

They also found themselves at the centre of a bitter public controversy, facing criticism. "I always believed the press would kill her in the end," Earl Spencer, the brother of Diana, Princess of Wales, said yesterday.

He added: "Every proprietor and editor of every publication that has paid for intrusive and exploitative photographs of her, encouraging greedy and ruthless individuals to risk everything in pursuit of Diana's image, has blood on their hands today."

Yet for many paparazzi, the immediate concern was the effect that the princess's death would have on their prospects of earning a livelihood.

"This is going to make things tough," said one London photographer, "I know it sounds heartless, but this is going to put a lot of guys out of work."

For two years this photographer was a member of the pack of about 50 full-time freelancers who dogged Diana's steps in London. The hours were long, and the rewards were variable. But he was still able to earn what he called an "honest living" as a "pap" - the paparazzi's nickname for themselves.

He was shaken by the news, and not just on behalf of his bank balance. "I'm shocked. I knew her, I talked to her. She was great," he said.

The opinion among the British paparazzi was that the events of Sunday morning in Paris would not have happened in the UK, because the UK's paparazzi would not have harassed her so severely. "First, the English guys



Hounded by paparazzi in New York in 1993: photographers yesterday found themselves at the centre of bitter criticism following the death of the princess

Photograph: Gammal/FP

are less likely to ride bikes, because of the weather here. And second, we had a long-term relationship with Di," he said.

"The French guys, they didn't care, because they didn't have to deal with her tomorrow and next week and next month. We did."

The majority of paparazzi only scrape a living. It is only those who have persistence, cunning and patience that can produce photographs that will sell around the world.

The London "paps" earn their bread and butter from selling candid snaps of celebrities, mainly to national tabloid newspapers and magazines.

The average "pap" can earn about £100 for a "run of the mill" photo of a celebrity stepping out in London, but more if the shot is unusually revealing or embarrassing.

For what the tabloids call "the Royals", the starting price is £150 - and in practice that usually meant pictures of Diana, since few other members of the Royal family visited the fashionable gyms and restaurants of London.

The freelance agreed that public reaction to Diana's death meant the paparazzi would have to lie low. But the lack of subject matter would hurt the trade. "I guess they will have to wait until

(the prince) Wills and Harry get older," he said.

In spite of the disguise of an Italian name - Paparazzo was the name of a photographer in Federico Fellini's film *La Dolce Vita* - the British have come to dominate the business.

When Mario Bremi, an Italian, captured the first intimate photos of Diana and Dodi Fayed in St Tropez, he turned to Jason Fraser, a London-based photographer, to act as his agent.

Mr Fraser is reported to have sold the snaps for a total of £1m - and taken a cut for himself.

And when Arnold Schwarzenegger, the Hollywood film star,

was forced to pull off the road after being trapped by two cars in California, the drivers turned out to be British paparazzi.

A commissioning editor at one UK tabloid said the competition with television was one reason for the demand for the paparazzi's output. "We have to get pictures and stories that television can't get. So we have to do things they can't do - or won't do."

Another reason is that UK newspapers have cut staff numbers in recent years, often reducing the number of photographers and relying on freelancers. "Now the profession is more dangerous, more risky. A lot of the 'gentle-

men' have left the game," the editor said.

But it was far from surprising that France should be the scene of Diana's accident. French magazines have played an important role, demonstrating an appetite for photographs, bought in competitive auctions from both specialist agencies and freelancers working on their own.

For one senior journalist in the French magazine industry, Paris Match, the glossy weekly, is turning "more and more" to paparazzi shots. "I am shocked in view of the considerable investment it must be taking," the journalist said.

The irony, according to one Italian commentator, is that Sunday's tragic events are likely to encourage even more paparazzi to ride roughshod for the ultimate picture. Sadly, it is not just an excuse to secure a scoop, but a matter of big money.

Yesterday there were reports the National Enquirer, the US supermarket tabloid, was offered pictures of Diana trapped in the fatal wreck for \$1m (\$625,000). And in London, tourists were buying postcards of the late princess by the handful. Even in death, many people still wanted her image.

Additional reporting by Paul Bets in Milan and Andrea Jack in Paris.

PRIVACY LAWS - By James Blitz and Andrew Jack

Demands for curbs on intrusion grow

The death of Diana, Princess of Wales - and the manner of her passing - yesterday intensified demands by British and French politicians for laws curbing the intrusive activities of newspapers.

Robin Cook, the foreign secretary, suggested the role allegedly played by photographers in the tragedy could lead the government to reconsider a law protecting the privacy of individuals.

In France - which has tougher privacy laws than the UK - Elisabeth Guigou, justice minister, said the accident would be "the moment to reflect on certain practices". François Bayrou, leader of part of the centre-right opposition, called for the defence of privacy by "legal means that cannot be circumvented."

However, drawing up privacy laws to protect the rights of individuals has proved a tortuous task for lawyers and politicians over the years. In both countries the area has been the subject of considerable debate. But there was no sign yesterday of any fresh ideas that might take that debate forward.

In the UK, newspapers informally regulate their activities through the Press Complaints Commission, a

body set up by newspaper proprietors. It cannot fine or punish newspapers deemed to have acted unfairly - and was described by one MP yesterday as "a toothless watchdog."

The last Conservative government gave serious consideration to laws that might protect individuals. But in 1995, John Major, then prime minister, scrapped a comprehensive set of proposals put to him by a senior lawyer.

One reason for the government's concern was the fear that any bill would find it hard to achieve a balance between real "investigative" journalism and activities that are just plain prurient.

Another problem perceived by ministers then was that the tabloid press would savage the government if it believed legislation was in the offing. Even with its large majority, Tony Blair's administration cannot dismiss such a threat.

Lawyers defending the UK system have raised other concerns. Can an individual ever be deprived of the right to take a photograph in a public place? Why shouldn't eavesdropping journalists simply be subject to the laws of trespass? What action can judges take to prevent photo-

graphs being published overseas?

Compounding this are the clear limitations of the much tougher laws in France, where many celebrities have not hesitated to take legal action in their efforts to pursue magazines published in many different countries.

French law has certainly helped clamp down on what judges perceive as excessive intrusion into stars' private lives. The ruling Grimaldi family of Monaco succeeded last year in blocking publication in French magazines of photographs of Daniel Dacaret, the husband of Princess Stephanie, with a Belgian stripper.

But it is clear that in many other cases, the law has not acted as a deterrent. With the maximum fine standing at FF200,000 (£19,732), a growing number of magazines has been prepared to risk publication, knowing they can get a huge jump in circulation from pictures of public figures.

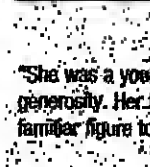
Given the strength of public feeling about Princess Diana's death, there is little doubt that the British and French governments will embark on a renewed attempt to legislate in this field.

World reaction



"How many times shall we remember her in how many different ways - with the sick, the dying, with children, with the needy? With just a look or a gesture that spoke so much more than words, she would remind us all of us the depth of her compassion and her humanity."

Tony Blair, UK prime minister



"She was a young woman of our age, young, full of life, and generous. Her tragic death will be deeply felt because she was a familiar figure to everyone."

Jacques Chirac, president of France



"We loved her very much. We admired her work for children, for people with AIDS, for the cause of ending the scourge of landmines in the world, and for her love for her husband, William, and Harry."

Bill Clinton, US president



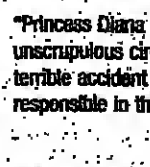
"I always believed the press would kill her in the end. But not even I could imagine that they would take such a direct hand in her death as seems to be the case. It would appear that every proprietor and editor of every publication that has paid for intrusive and exploitative photographs of her, encouraging greedy and ruthless individuals to risk everything in pursuit of Diana's image, has blood on their hands today."

Helmut Kohl, chancellor of Germany



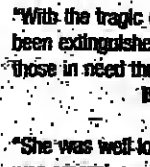
"Princess Diana became the victim of an unrelenting, gross and unscrupulous circulation battle in a section of the media. This terrible accident and her death should at last give those responsible in the media cause for thought."

Robert Mitterrand, president of France



"With the tragic death of Princess Diana, a beacon of light has been extinguished. Her good works brought hope to so many of those in need throughout the world."

Margaret Thatcher, former UK prime minister



"She was well-loved and admired across the Commonwealth and was emerging as a potent symbol of our common humanity in her evident commitment to others less fortunate than herself."

Hans Eichel, chancellor of Germany



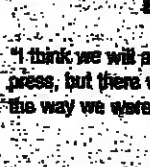
"Princess Diana had indeed become an ambassador for values of kindness, compassion, the sick and needy throughout the world."

Princess Diana



"I knew her as a very sensitive, at times very amusing lady who desperately wanted to make a difference in this world."

Henry Kissinger, US secretary of state



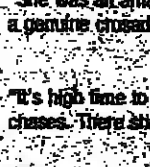
"I think we will all feel slightly guilty, frankly. We may blame the press, but there will also be a series of painful guilt because of the way we were constantly buying things of Diana's life."

Professor Gary Simpson, British Olympic coach



"She was one of the first and most committed champions on this issue. It will be a struggle for the UK community to come to terms with her death."

Mark Thatcher, son of the former UK prime minister



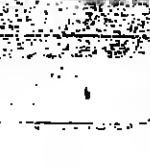
"She was an amazing and remarkable woman, a great friend and a genuine character who did a great deal for others."

Queen Elizabeth II



"It's high time to put an end to this, an end to the state-outs and classes. There should be a law to protect people."

Liam Neeson, actor



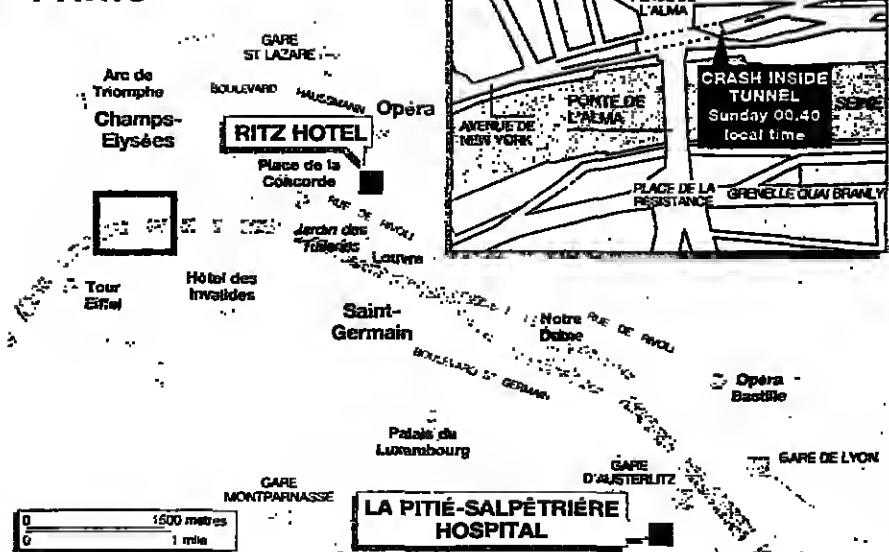
"All the sisters and I are paying for her and all the members of her family to know that we are all united and peaceful and content in this moment."

Princess Margaret

Compiled by Robert Fife



PARIS



Legacy of the fairy-tale princess

Tragedy cannot be disentangled from blighted reputation of royal family, writes Philip Stephens

It was a chillingly awful denouement in the sad soap opera that has become the royal family. The Princess of Wales lived through the media and died by it. The question now is whether the same fate awaits the monarchy.

The answer is no, at least not soon. Yet the fact that the question will be asked many times over coming weeks and months is grim testimony to the condition of the House of Windsor. At the end, of course, Diana was no longer one of them, no longer an HRH. But the tragedy of her life and her death cannot be disentangled from the blighted reputation of the family into which she married.

Do not misunderstand. Britain, by and large, remains a nation of monarchists. No one is better loved than the Queen Mother, none as well respected as the Queen. The people may have been dismayed at the way the monarch's children have played out in public the tortured passions of their private lives. But, for good or ill, the monarchy remains part of the country's emotional cement. If Prince Charles is denied the reverence he could have taken for granted a generation ago, Britain is not yet ready for president Thatcher.

Diana will be deified in death, the fairy-tale princess always denied the happy ending of the

storybooks. Whatever her faults, and these will now be overlooked, no-one would deny that her short life was suffused with as much sadness as glamour. It matters not whether, in her marriage to her to the throne, she was victim or, in part at least, villain. She was, in Tony Blair's words, the "people's princess".

At so short a distance we can only speculate as to how her death will reverberate within the royal family. No doubt even now some of the more flint-faced royal courtiers are calculating a gain. They will judge that Charles, doubtless as genuinely saddened by her death as he was unhappy in their marriage, will be able to step out of the long shadow cast by the most famous, most photographed woman in the world.

My guess is that it will not be as easy as that. The personal grief of his children, William and Harry, will weigh heavily on the heir to the throne. Nor will the Establishment be more tolerant of his relationship with Camilla Parker Bowles. Technically Charles is now a widower, free to remarry in the Church of England. But the bishops who in the past have turned their backs on empty churches to denounce the merest hint that Charles might marry again and

still being are unlikely to make it easy. Public opinion too may be irrationally unforgiving.

Some others will revive the notion that Charles should cede his claim to the throne in favour of William - for the good of the crown, they will say. I see no reason why he should or will take such a drastic step. The purpose of his life has been to prepare for his coronation. The Queen, in any event, will be with us for some time yet. The pressures on young William, though, will be immense. To lose a mother is awful. To live the loss through the scrutiny of an ever more intrusive media will be a dreadful burden. It is hard to see how William, or Harry, can have an easy relationship with the press.

But from Diana's life and death, the monarchy must learn a lesson. It cannot forever rely on the reservoir of good will and respect which has seen it through the past decade. It must begin again to earn the loyalty of its subjects.

The disastrous experiment to turn royals into celebrities, with Diana as the superstar, has come to a brutal end. It was always a mistake to confuse accessibility with star status, openness with self-promotion. The media monarchy demanded of its principal characters a standard of behaviour they

proved incapable of delivering - and a level of self-restraint from the press which was never on offer. It led Charles and Diana to treat television as a public confession. It is too late for the Windsors to retreat from the public gaze, but they can begin to learn the virtues of circumspection.

Bigger changes are needed. If the Queen's subjects are more comfortable with the monarchy than with an alternative, that is not to say they are satisfied with its present condition. As Mr Blair embarks on the modernisation of Britain's constitution, the House of Windsor should insist on being part of it.

Some of it is presentational: less pretension, if not yet less pomp; a touch of humility; a smaller group paid from the public purse; a recognition by Charles perhaps that not all among his would-be subjects see innocent sport in the terror of the hunted fox. The monarchies of the Netherlands and Scandinavia are not models to be transplanted wholesale into Britain. But the bicycling kings and queens of these countries somehow command the genuine affection of their peoples without falling prey to the temptations of cheap populism.

I would guess, though, that the process of change will have to go much further than the royal family has yet imagined. If Mr Blair's con-

stitutional reforms are implemented, they will radically alter the nation's perception of what constitutes a modern democracy. Hereditary peers will be stripped of political power, the writ of Westminster challenged by devolved government in Scotland and Wales. It is hard to imagine the Windsors will escape the consequences.

The "royal prerogative", the archaic fiction under which the government of the day exercises its power in the name of the monarch, is an obvious target. It ties the Queen too closely to her ministers, allowing them to hide behind the pretence that the monarch ruled as well as reigns. Nothing is more demeaning than demanding that each year the monarch reopen parliament with a party political broadcast for whoever happens to be in Downing Street. A more circumscribed role is needed for the crown, one which allows it to remain a focus of national loyalty and frees it from politics.

These of course are considerations for when the period of mourning is over. The outpouring of grief yesterday attests to the extraordinary grip Diana exerted over the public imagination. But just as there will never be a princess like her, so after her 15 turbulent years in the public eye the monarchy can never be the same.

DEATH OF DIANA, PRINCESS OF WALES

OBITUARY

The aristocrat who was always given a welcome



Diana: Her marriage to the Prince of Wales was described as far from happy. Photograph: PA

Diana, Princess of Wales, was one of the most striking figures of the late 20th century. Wherever she went, she was recognised, and usually applauded.

Her tragic death at the age of 36 in a car crash in Paris in the early hours of yesterday morning brought normal broadcasting around the world to a standstill as the stations sought to recast their programmes to report the news, record the reactions and pay tribute. No one had expected the end to come like that.

Until her divorce from the Prince of Wales in 1996, Diana was in line to be the next queen at Charles's side. After the divorce, as the mother of their two sons William and Harry she was still likely one day to be the mother of a king.

The Hon Diana Frances Spencer was born on July 1961 at Park House, part of the Sandringham estate in Norfolk. The family rented it from the Crown. Her father was Viscount Althorp, her mother the Hon Frances Roche. The Queen and Prince Philip had attended their wedding in 1984 and Althorp was a royal equerry.

Althorp's wife left him when Diana was six. He succeeded to his father's title, Earl of Spencer, in 1975 and married Raine, formerly Countess of Dartmouth and daughter of Barbara Cartland, the novelist, the following year. The family was

thus aristocratic but not royal - a fact that was to have some bearing on the choice of wife for a future king, who was encouraged to marry either a commoner or a Catholic.

Much of European royalty tends to be Catholic. Besides, as the managing editor of Dehret's pointed out, Diana would bring a little Stuart blood back into the royal family as she was descended five times from Charles II - "four times on the wrong side of the blanket, and one on the right side".

Diana had a fairly conventional upbringing for a girl of her background. She went to Riddlesworth Hall, a boarding preparatory school near Dias in Norfolk, then to West Heath boarding school in Kent. She did well at swimming and dancing, but not academically.

At 18 she moved to finishing school in Switzerland. When she returned to England she lived with a group of girlfriends in London's South Kensington and worked variously as part-time cook, a nanny and a teacher. She began teaching infants at the Young England Kindergarten in Piccadilly.

Diana first met Charles in 1977 through her eldest sister Sarah, a close friend of the Prince, at her father's estate, Althorp Park. She usually wore jeans and was sometimes described as "one

of nature's tomboys", and full of fun. The Prince gradually took to her.

At the same time, reports were emerging from around Buckingham Palace that the Prince should marry, if only to establish an heir. Prince Philip, in particular, is thought to have urged that Charles should either choose Diana or drop her.

The wedding - one of the most resplendent in British postwar history and televised worldwide - took place at St Paul's Cathedral in July 1981. Diana was 20 and Charles was 32. For the rest of her life the Princess of Wales was seldom out of the public eye. On an early trip to Australia, it was she rather than the Prince who caught the cameras.

But troubles began early. Diana did not like the Court establishment, nor did much of it take kindly to her. Perhaps she was not too well looked after by the Palace; certainly she became ill with bulimia. She seemed to court publicity while at the same time complain about it.

To Diana, the Prince appeared broody and over-earnest - ironic in a way as they were both interested in unassuming charities, though for Charles it may have been more cerebral than emotional. She was aware of the Prince's previous attachment to Camilla Parker Bowles, and thought - rightly as it turned out - that it might be renewed.

Foreign trips together became a nightmare as the cameras would snap them on clearly less than friendly terms.

Still, there were two sons. Prince William was born in June 1982 and Prince Harry in September 1984. Clearly the Queen hoped that the marriage could survive. Yet from about 1987 stories began to appear in the press suggesting that Charles's aloofness was to blame.

Public sympathy, though divided, was moving towards Diana. There was a particularly damaging book by the journalist Andrew Morton - *Diana: Her True Story* - which relied, if not on the Princess as a source, at least on her close friends, and described her condition as far from happy.

With hindsight the book can be seen as the beginning of a public vendetta between them. Prince Charles was later to give his own account of affairs to Jonathan Dimbleby, whose book *The Prince of Wales - A Biography* was published in 1994.

Subsequently, both the Prince and the Princess gave television interviews in which they spoke of infidelities. The press, including the broadsheets picking up from the tabloids, continued to print anything it could find.

By the autumn of 1997 a pattern had been established: the couple tended to spend their time apart. The final separation was

announced by the then prime minister John Major in the House of Commons in December 1992, with the remarkable rider that it did not affect the succession and that there was "no reason why the Princess of Wales should not be crowned Queen in due course".

But there were many who believed that such a situation was not tenable. The Queen took a hand and the Prince and Princess of Wales were divorced in August 1996. The Princess became known as Diana, Princess of Wales. Speculation moved to whether Charles would eventually marry Camilla Parker Bowles.

Since the divorce Diana was rarely out of the news, partly because of her striking appearance, but also because of her work for charities. She was one of the earliest public figures to help the victims of AIDS, not just raising funds but talking to sufferers and touching them.

She was always attached to children's causes and most recently had become identified with the campaign to eliminate landmines, travelling the world to publicise the cause. Almost her last public trip was to Bosnia. Whatever people thought of the history of the marriage and the future of the royal family, she was always noticed and always welcomed.

Country mourns ahead of funeral

The body of Diana, Princess of Wales, was taken to a mortuary at an undisclosed location yesterday, after being flown back from Paris last night to RAF Northolt, west of London, writes Michael Peel.

Funeral arrangements were expected to be announced today. The prime minister's office said that the royal family would decide on the format. It also said that Tony Blair, the prime minister, had cancelled meetings with trades union and industrial leaders as a mark of respect.

The government suspended its campaign for "yes" votes in the referendums on its proposals to set up a Scottish parliament and a Welsh assembly. William Hague, Conservative party leader, said his party would suspend its campaign against the plans.

Other political events were cancelled or toned down.

The Scottish Office said it did not know whether the government would try to postpone the Scottish vote, which is set by Act of Parliament for September 11.

Parliament would have to be recalled if the government decided to repeal the bill. "I think the government is still considering at present, in the light of the funeral arrangements, what the implications for the referendum will be," the Scottish Office said.

The mood of national mourning extended to sporting events. Football fixtures, including a sell-out Premier League match between Liverpool and Newcastle United, were cancelled throughout England and Scotland yesterday and silences were observed before cricket and rugby matches.

Celebrations in Glasgow to mark the centenary of the Scottish Trades Unions Congress were cancelled.

A march to celebrate the ending in May of the trade union ban at GCHQ, the Cheltenham headquarters of the UK's intelligence operations, went ahead to a background of drumbeats rather than marching bands. "Because of this tragedy we decided they should not play," said Mike Grindley, who led the campaign against the sackings of workers who did not comply with the union ban.

"Instead, we decided that only the drums should beat out a funeral pace as we walked slowly in silence."

A spokeswoman for Mohamed Fayed said the body of his son Dodi had been flown back to Britain for burial.

Modern woman of universal appeal

The world saw in her what it wanted to see. In death, even more than in life, Diana, Princess of Wales, appeared truly a "woman of our age" - transcending the literal words of the tribute from the French president, Jacques Chirac.

As broadcasters pre-empted regular programmes for open-ended coverage and newspapers rushed out special editions, it was difficult to imagine another contemporary person as immediately recognisable and whose fate would command such global attention. The Pope, perhaps, although his renown derives not from his person, but from his office, inherently controversial.

By contrast, Diana's universal appeal was grounded in her gift to satisfy whatever the observer needed, only rarely provoking strong antagonism. She seemed to speak in different ways to different countries.

In Germany, the emphasis yesterday was on her humanitarian activities. In Italy and Spain and Latin America, it was on the mix of glamour and royalty and tempestuous romance which only the princesses Caroline and Stephanie of Monaco - and their late mother, Grace, in a far less prying day - could in any way rival.

For the Japanese, Diana's image was the ideal of a princess - beautiful, graceful and kind. For gym-mad Californians, her stunning good looks proved conclusively the merits of having a personal trainer. Her openness about personal problems struck a chord with the publicly confessional modern American.

She appeared to be simultaneously a strong woman, who bounced back and bested the royal family in the battle for hearts, and yet no threat to any male who thought his prerogatives were challenged in daily life. She charmed the powerful from Henry Kissinger to Colin Powell, she championed the powerless - from AIDS patients to the homeless to victims of landmines. She also won a reputation as a devoted mother, an attribute heavily stressed throughout the world yesterday.

Only in her own country, where questions of class and politics intruded, and where the complexity of the royal saga was much better understood than elsewhere, was Diana's image more mixed.

But the harsh words uttered in Britain less than a week ago, after her candid interview in *Le Monde*, appeared forgotten yesterday. Her death seemed to have transfigured her, if commentators, often self-consciously, resorted to clichés - "international icon", "global village", "fairy

Diana, a champion of the powerless



Comforting leukaemia sufferer Camilla Flocos in July



With Mother Teresa in June



Meeting AIDS sufferers in London in 1989

Diana's appeal was grounded in her gift to satisfy whatever the observer needed, only rarely provoking strong antagonism. She seemed to speak in different ways to different countries

ment, a motorcade from Baltimore - but it was the "story" that mattered, not the images. Her funeral that is destined to be a landmark of global shared experience, comparable - but reaching far more people - to the 1953 coronation. Sir Winston Churchill's funeral in 1965 and Diana's own doomed wedding to the Prince of Wales in 1981.

The story has already illustrated the evolving world of round-the-clock news broadcasting - an odd mixture of co-operation and competition between global news channels. BBC and Independent Television News, its domestic rival, both broadcast nothing else throughout the day. They also fed the demands of their national counterparts throughout the world.

British Sky Broadcasting, the satellite channel controlled by Rupert Murdoch, and the US-based Cable News Network pulled out the stops to supply non-stop coverage to their domestic and international viewers. CNN said 90 per cent of coverage was simultaneously broadcast to US and international viewers.

Many continental European broadcasters took a different tack, saving their energies for special programmes last night. The main US networks also held

fire. Australia and New Zealand initially took feeds direct from UK and international broadcasters.

Other media were also buzzing. British Telecommunications reported a "significant" but unquantified increase in domestic calls compared to a normal Sunday. A similar rise was seen in international calls, especially to Australia and New Zealand, where customers were talking for longer than the nine minutes or so customary at the weekend.

BT said it had set up controls around the Buckingham Palace local exchange as a precautionary measure in case the Palace was inundated with calls. Callers would be held in a queue or invited to call back later. Anybody blocked in this way, however, could take a

cyber-path through the cordons. Within hours of the announcement of Diana's death, the Palace had added a page on its website for internet-surfers to e-mail their condolences.

The BBC broke new ground in terms of globalisation. Its first four hours of domestically broadcast coverage, from 2.30am London time yesterday, was taken intact from BBC World, the international television service never before seen in the BBC's home market. It was planning the same arrangement again last night.

A fitting legacy for Diana. Just as Diana had transcended the UK royal family her life and death no longer were bounded by Britain. She belonged to the world. Additional reporting by Alan Cane and Our Foreign Staff

Cashflow may please former Lloyd's Names though audit qualification is likely to remain

Equitas figures 'better than expected'

By Christopher Adams, Insurance Correspondent

Equitas, the giant reinsurance company which took responsibility last September for more than £10bn (\$16.3bn) in old liabilities from Lloyd's of London, is expected to report soon that cashflow during its first year of trading has been better than expected.

For thousands of former Names - individuals who backed the Lloyd's insurance market and whose personal losses were huge that they faced financial ruin - Equitas's forthcoming set of

accounts may offer a more upbeat message than its first figures published in April. The company has paid out less in claims and collected proportionately more from other reinsurers who owe it money than was forecast when it opened for business 12 months ago.

However, an audit qualification from Coopers & Lybrand, the accountants, which appeared in the maiden figures is likely to remain broadly unchanged, as a result of the scale of liabilities and the poor quality of data used in the reserving exercise. Coopers & Lybrand

had questioned the "quality and completeness" of information used to calculate assets that Equitas needed and it added that closer scrutiny might lead to a substantial reassessment of liabilities.

It is also unclear whether the lower-than-expected claims payout is a result of settlements being smaller than predicted.

In addition, a cash surplus of nearly £800m when Equitas took charge of Lloyd's losses last September may yet be eroded by the need to bolster reserves. About 40 per cent of liabilities stem from policies vulnerable to "long tail"

pollution and asbestos-related claims in the US.

Equitas is trying to improve the consistency of information supplied by insurance syndicates at Lloyd's. Last month, it brought online a data warehouse, Equip, to present data from Lloyd's underwriting agencies in a single format.

The forthcoming Equitas accounts will show the balance sheet as at March 31 this year. The figures published in April, showing the position at the start-up last September, suggested that Equitas had a cash surplus of £588m after receiving an £11.2bn premium to

re-insure all Lloyd's losses for 1992 and prior years.

The surplus then was lower than expected as the group took a £122m charge because assets transferred from syndicates were undervalued.

Equitas is still negotiating terms with Lloyd's for reinsuring the liabilities of Lioncover, which took responsibility for the notorious loss-making PCW syndicates. Lloyd's is thought to have settled much of the long-running litigation with reinsurers who disputed whether they should have to pay money Lioncover was trying to collect.

English nationalism fails to make a noise

The constitutional future of the UK will be decided next month by some 5m Scots and 3m Welsh people with no reference to the views of the 49m inhabitants of England.

Not that there is a great clamour of interest among the English about events in the rest of the UK. The general feeling appears to be that if the Scots and Welsh want home rule, then let them have it.

When prodded by Muri, the opinion pollsters, 46 per cent of English people thought they should be given a vote on Scottish and Welsh devolution compared with 44 per cent who thought they should not. However, the poll in the Times newspaper found that devolution was exciting little interest, with only 1 per cent of people in England listing it as an important issue.

However, there are politicians from all parties who believe the constitutional settlement proposed by the government cannot stick, because it is deeply unfair to England.

They argue that once the English realise that the new deal is weighted in favour of Scotland and Wales, pressure will mount for further far-reaching constitutional reform to redress the balance.

Scots and Welsh devolution issue seems of little gravity to their 49m neighbours

English nationalism has so far failed to surface in any meaningful sense, in spite of the best generated by the England team's stirring performances in the Euro 96 football championship.

Predictions that the Conservative party would become an English nationalist party after its defeat in the May general election have failed to materialise.

True, the party lost all its House of Commons seats for Scotland and Wales, but few senior members believe that the party's future lies in wrapping itself in the flag of St George, the emblem of England. Michael Portillo, the standard bearer for the flag-waving, anti-European Right, was among the most notable Conservative casualties of the Labour party's landslide victory on May 1.

However, the issue of Welsh and Scottish devolution looks certain to stir politicians and business leaders to fight a more subtle campaign to improve the lot of the English regions.

Jim Cousins, a Labour MP in the north-eastern city of Newcastle upon Tyne, says that if the Scots have their own parliament, it will whet the appetite for many in the north-east for their own directly-elected assembly.

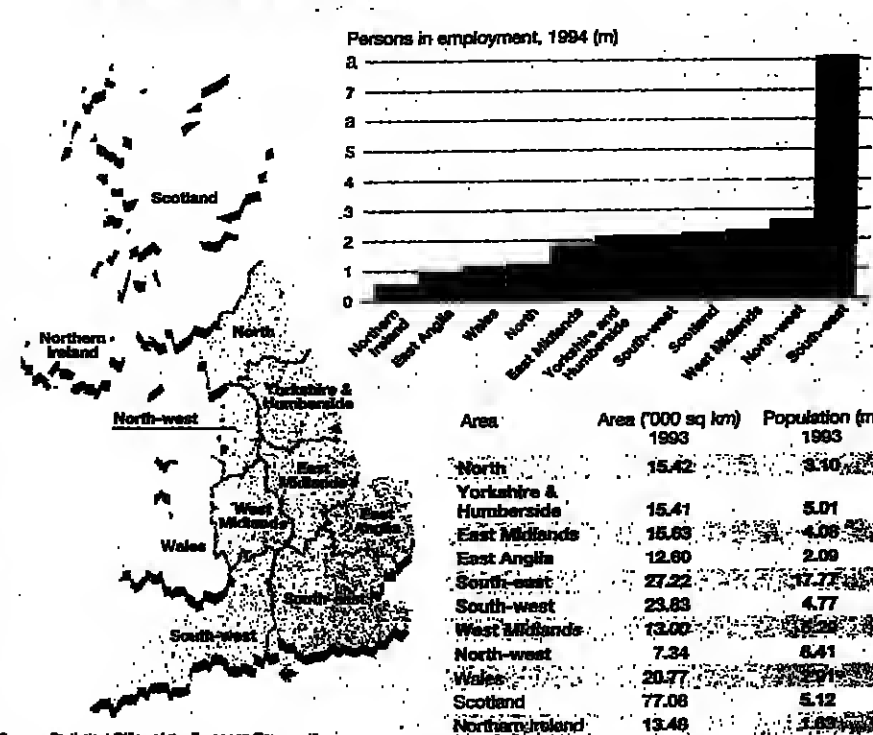
"I think it will create an even stronger demand in our region to go the same way," he says. The government's refusal to contemplate giving English regions direct assemblies in its first term was "disappointing".

Mr Cousins, who chairs Labour's northern group of MPs, says he also believes the current financial settlement for Wales and Scotland - where the two nations receive around 20 per cent more public expenditure per head than England - could not survive.

"There is bound to be some building of pressure to reduce this disparity, or inequality," he says. He believes that public spending in the English regions should be brought up to the same level as Scotland, although a levelling downwards would be a more likely Treasury response to such pressure.

Paul Tyler, Liberal Democrat MP for North Cornwall in south-west England, agrees that public spending for Scotland and Wales must be brought into line with

Dominance of the south-east



Source: Statistical Office of the European Communities

less affluent areas of the country, like the south-west.

He points out the resentment in Cornwall over the fact that the state supports projects as diverse as new tourism ventures and an air ambulance in Scotland, but none in the far south-west of England. He also believes that devolution in Wales and Scotland will heighten demands for power to be passed down from Westminster to the English regions, and counties like Cornwall.

If the Scottish parliament ever exercised its proposed power to cut taxes by 3p in the pound, demands for a reduction of the English "subsidy" of Scotland would be intense south of the border.

Maurice Fitzpatrick, head of economics at Chantrey Vellacott, the City of London firm of chartered accountants, claims the Scottish fiscal deficit amounts to some £2.8bn (\$4.5bn) - equivalent to almost 2p on the basic rate of income tax for English taxpayers.

Devolution will also heighten Conservative demands that the number of Scottish and Welsh MPs in the Commons should be cut - both regions send more MPs to London than their population demands. Labour already accepts the number of Scottish MPs at Westminster should be cut from 72 to about 60.

George Parker

UK NEWS DIGEST

Watchdog plans \$1.6m penalty

Investment banks in breach of Securities and Futures Authority rules may face fines of more than £2m (\$1.6m) under plans being considered by the SFA, the financial regulator. It is considering a substantial increase in the fines levied for cases of misconduct and failure of management controls. The maximum is likely to be tripled.

It also intends to provide stronger incentives for investment banks and brokers to report cases of individual misconduct by reducing the sanctions on investment banks that report control failures. The SFA's largest fine since its formation in the wake of the 1996 Financial Services Act was the £300,000 Swiss Bank Corporation was told to pay last week. Imro, the fund management regulatory body, levied a £2m fine on Morgan Grenfell Asset Management last April.

The decision comes in advance of the consolidation of City and banking supervision under the Securities and Investments board from next year.

The "super" SIB will then take operational control of Imro, and SFA officials.

John Gapper, London

DEFENCE TECHNOLOGY

Racal group wins \$163m contract

Racal, the UK-based electronics group, yesterday announced a series of defence-related contracts placed by the Ministry of Defence and worth about £100m (\$163m).

The contracts will provide the British armed forces with the latest in information technology and include a new lightweight satellite terminal - a mobile phone system for the battlefield - to improve communications for ground troops and a transportable command and control centre for the Royal Air Force. A third contract is intended to equip Royal Navy frigates with electronic warfare systems.

Mr David Elsbury, Racal chief executive, said: "Our success against a general decline in defence spending is due to our highly focused and strong position in information warfare technologies."

Racal is already a member of the Archer consortium, bidding for a £2bn battlefield communications system called Bowman for the British Army. Alan Cane, London

CENTRAL BANK

Supervisory role strengthened

The Bank of England, the UK central bank, is strengthening its bank supervision procedures as part of efforts to recognise early signs of a collapse such as the one which brought down Barings.

It has appointed Ronnie Baird, currently a financial controller at Lloyds TSB, as head of a quality assurance unit. Mr Baird, a chartered accountant with extensive banking and supervisory experience, is taking a pay cut to join the bank. He said: "Money's not important. It's a wonderful opportunity for a fresh challenge."

Setting up such a unit was one of the key recommendations of a Board of Banking Supervision inquiry and a report by Arthur Andersen, the audit, tax and management consulting firm, that followed the Barings collapse in 1995.

The unit, which has been steadily built up over the last year, will sit alongside 20 supervision teams - 220 line supervisors - within the bank. Key aims are to improve efficiency and pass on lessons on best practice from one team to another. Christopher Brown-Humes, London



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Sterling's rise prompts new fears for exports

By Wolfgang Münchau, Economics Correspondent

UK export figures, which have still to reflect the full extent of sterling's sharp rise, could face an increasing squeeze in the next 12 months, according to leading UK analysts.

The government's official trade statistics - which last week showed a deficit of close to £1bn (\$1.6bn) in June - do not fully reflect the effect of the strong pound because current trade volumes mostly correspond to orders which were placed a long time ago.

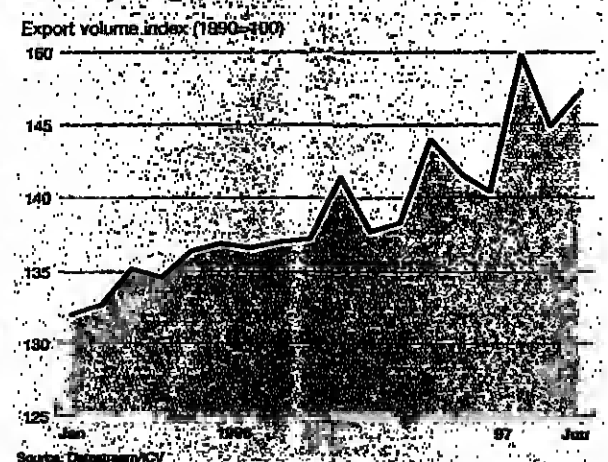
The Institute of Export, the association of UK exporters, has warned that export volumes could actually decline rather than experience slower growth unless the exchange rate reverted to more sustainable levels.

Ian Campbell, director-general of the IoE, said: "The trade figures are holding up surprisingly well, very much to our surprise because we would have thought that they had slackened by now."

"After 9, 10, and 12 per cent export growth in the last few years, it is clear that we cannot maintain that level, and I can foresee the negative growth."

A series of export surveys - from the Confederation of British Industry - the principal employers' organisation - the Chamber of Commerce and others - reflect extreme

So far, so good



Source: Confederation of British Industry

pessimism among UK exporters in contrast to the official trade statistics, which show that trade volumes are rising.

To compensate for the rise in the pound, exporters have been cutting prices at the fastest level since 1973, according to the CBI. The result is a squeeze of profit margins.

According to Richard Jeffrey, chief economist at Charterhouse: "The J-curve effect will hit exports in the end. The exports that are coming in now were ordered when the pound was weaker."

The J-curve indicates that changes in an economic variable can have unsuspected short-term effects. A J-curve effect is

present when a rising currency leads to a sudden improvement in the trade deficit, followed by a sharp deterioration.

Exporters' reactions to a rising exchange rate are generally believed to depend on their own expectation as to how long the period of currency strength will last, and on the level of domestically generated profits, which could cross-subsidise any export losses.

If UK economic growth were to fall back sharply in the next 12 months, export volumes could also fall. And if the strength of sterling persists beyond a certain threshold period, exporters may decide to pull out of unprofitable export markets.

Expansion for dryer output

By Peter Marsh

Norrost, the UK domestic appliance maker best known for its chest freezers, is gearing up to make 400,000 tumble-dryers a year - equivalent to roughly half the current UK market.

The scale of Norrost's ambitions in tumble-dryers is likely to cause a stir in the European domestic appliance industry.

As part of its expansion the company also plans to launch a tumble-dryer which it claims will use about 25 per cent less energy than current standard devices.

The company plans to

export up to 70 per cent of its tumble-dryers and hopes to make an impact in countries such as Germany and Scandinavia where the devices are currently unpopular partly because they use so much energy.

Norrost, the world's biggest manufacturer of small chest freezers, making about 400,000 a year, moved into tumble-dryers two years ago. It hopes to make between 25,000 and 50,000 dryers during the next year, and its target of 400,000 units a year could be achieved by 2002, according to Pat Grant, the company's managing director and part-owner.

All Norrost's production and virtually all its 430 workers are based in the Scottish village of Castle town, far from any large industrial centre. Established in 1972, the company now has annual sales of £31m (\$50.5m). It is building a £15m plant next to existing sites for the tumble-dryer project.

Partly because of its geographical isolation, the company has an ethos of self-sufficiency. It makes many of its own production machines, has its own haulage company to distribute its products - and provides its own 24-hour electricity.

Kettle company in China test deal

By Peter Marsh

Strix, the UK world leader in the manufacture of kettle thermostats, has set up a pilot plant in China to test the possibilities of expanding its production outside Britain.

The company's business has been increasing rapidly as consumers outside the English-speaking countries use kettles and related domestic appliances for heating liquids for uses other than making tea.

With Asia accounting for 30 per cent of Strix's sales, expected to be more than £50m (\$81.5m) this year, the privately owned company has started its 20-person factory in China as an experiment to establish whether full-scale production outside Britain is viable.

Most of Strix's 700 employees work in three factories on the Isle of Man, off the north-west coast of England, where the company is based. It also has a plant in Chester, near the city of Liverpool in the north-west.

Strix chose China as a potential non-UK manufacturing base because it is close to many of its most rapidly expanding markets. Asia accounted for only 5 per cent of Strix's sales three years ago but, by 2000, the company expects this figure to reach more than 50 per cent.

Some 40m kettles and related electrically powered "liquid heaters" are sold annually around the world. The market has grown rapidly, with industry officials estimating it could reach 100m by early next century.

Demand has been particularly strong in continental Europe, while much of Strix's strong position in selling to Asia is explained by companies in the region incorporating the controls in devices, which are then exported into European countries.

Strix believes it has 65 per cent of the world market for kettle controls and related devices. A second UK company, Otter Controls, is believed to have 20 per cent.

En route to sunnier times

DATELINE

Nice: the Côte d'Azur is attracting foreign tourists but is facing tough competition in winning the French over, writes David Owen

It is also relative - 15.5 per cent was the best score, ahead of the 11.4 per cent earned by neighbouring Languedoc-Roussillon in second place. Anecdotal evidence suggests the area around Saint-Tropez in particular was still full of top French holiday-makers enjoying a well-earned break.

But it perhaps helps to explain why 1996 remains the Côte d'Azur's record year for visitors

this may have picked up in recent weeks.

This appears to be a long-term phenomenon: a study by Insee, the national statistics institute, found that 15.5 per cent of French households who spent their summer holidays in metropolitan France in 1994 spent them in the Provence-Alpes-Côte d'Azur region, down from 17.6 per cent in 1988.

It is also relative - 15.5 per cent was the best score, ahead of the 11.4 per cent earned by neighbouring Languedoc-Roussillon in second place. Anecdotal evidence suggests the area around Saint-Tropez in particular was still full of top French holiday-makers enjoying a well-earned break.

But it perhaps helps to explain why 1996 remains the Côte d'Azur's record year for visitors

a distinction it is not thought likely to lose this year, in spite of the recovery.

Several reasons are offered for this situation. Jean-Paul Cordero, president of the Côte d'Azur bottlers' federation, attributes it partly to promotional campaigns by other regions. These, he suggests, have resulted in a more even dispersal of French holiday-makers around the country.

A number of west coast destinations, such as the Ile de Ré, where prime minister Lionel Jospin spent his summer break, bathing, bicycling and re-reading Balzac, have become formidably trendy, with some commentators attributing this to a supposed tendency for the French to hanker after the simple life.

Furthermore, far-off and exotic destinations, such as the island

of La Réunion in the Indian ocean, where president Jacques Chirac whiled away part of August, have become attainable for a greater proportion of French holidaymakers. "The competition has diversified a great deal in the past 20 years," says Mr Charpentier. "The competition for us is worldwide."

He also points to a recent tendency for French holidaymakers to stay with relatives, or in second homes, rather than in hotels - a trend that can be put down, at least in part, to the country's sluggish economic growth and stagnant living standards.

Finally, some even say French holidaymakers may have decided at short notice against heading south because of good weather in other traditionally wetter and chillier parts of the country.

Whatever their attitude to holidaying on the Côte d'Azur, however, the French do not appear permanently to have gone off the region. Au contraire. A recently published study* of French demographic trends between 1990 and 2020 suggests that while overall French population growth is likely to be about 12 per cent, growth in Provence-Alpes-Côte d'Azur - essentially the south-east corner of the country - may be 30 per cent.

The study predicts a high immigration rate to the region among all age groups. Indeed, with population growth in nearby Languedoc-Roussillon expected to attain 37 per cent, a US-style shift to the sun belt appears in prospect, with considerable political and environmental consequences.

**Projections démographiques régionales de la France. Ministère de l'Aménagement du territoire, de la ville et de l'habitat, 20 Avenue de Ségur, 75322 Paris.*

The Monday Profile: Sir Anthony Bamford

Long-term approach lifts off

Twenty years ago, Sir Anthony Bamford, chairman of JCB, the UK construction equipment company, asked some of his designers to make a wooden model of a new kind of industrial lift-truck.

Last week, the machine finally made it off the drawing board and into the public arena. To general praise from the lift-truck industry, JCB, it seemed, had made what was, for a British manufacturer, a rare technical breakthrough in a mature, international business.

For Sir Anthony - whose family owns JCB and who took it over 22 years ago from his father - the long gestation period between idea and finished product exemplifies his company's long-term approach.

Sir Anthony says he spends most of his working time thinking about products and planning the company's future. He is at the helm of one of Britain's biggest private manufacturers and Europe's largest maker by volume of construction machines. Sir Anthony is grateful that there is no need to brief shareholders or City analysts. "I don't have to spend much time being nice to people," he says.

JCB's Teletruk picks up goods using a pivoted, telescopic arm, rather than the normal lift-truck mast - a feature which JCB claims will make it safer and more efficient. Some competitors have warned that JCB will find it tough to win acceptance for its innovation in an industry dominated by large groups such as Linde of Germany and Nacoco of the US. On JCB's side is the company's marketing panache. Prior to the lift-truck launch, JCB organised a 10-month campaign to introduce the product to several thousand companies.

But, although his company's products are a household name in much of the developed world, Sir Anthony has a fairly low public profile. Even JCB headquarters is well off the beaten track in



the small town of Rocester in the English Midlands.

British factories tend to be down-at-heel affairs often built on shabby industrial estates, but the Rocester plant looks on to a large man-made lake and has stylish paintings in the foyer. Neither does Sir Anthony fit easily into conventional categories. To outsiders he comes across as charming, but he has the reputation for being extremely tough with suppliers and dealers. "Like many people who own the companies they are running, he has his autocratic side," says one acquaintance.

As befits someone whose father built the company from nothing in 1945 - its first premises were a garage - Sir Anthony is a strong believer in the "enterprise ethic". In the 1980s, he supported the Conservative party with large but undisclosed donations. Margaret Thatcher, then Conservative prime minister, once chose the Rocester factory as a site for a party rally.

Sir Anthony still professes scepticism about many of new Labour's ideas, but he has moved closer to Tony Blair. Last October, while the prime minister was still in opposition, Sir Anthony

invited him to Rocester. The two men got on well, so much so that Mr Blair lavished public praise on JCB as the kind of company Britain should encourage.

To Labour activists, these comments rankled. In some quarters, Sir Anthony is regarded as a "fat cat". All the Bamford family share in JCB are registered in an offshore trust, while Sir Anthony uses a JCB helicopter to be whisked between his £10m (\$16.3m) Gloucestershire home and his corporate empire.

But to others, the Bamford family's finances are their own affair. The helicopter, rather than a personal luxury, is seen by Sir Anthony more as a business tool: it ferries customers to inspect new JCB products thus helping to extend the company's steady growth. Sales last year were £750m, double the figure of 1992. Three-quarters of revenue comes from exports.

Sir Anthony's desire to build up manufacturing strength should strike a chord with many Labour supporters. Lift-trucks are just the kind of product most UK industrialists have stopped producing over the past 30 years.

"If Britain wants to be an important manufacturing nation again, this kind of venture is what we need," says Bob Bischof, a German industrialist who has advised Labour on its industrial strategy. Many Old Labour hands, who look down on service activities as inferior to manufacturing, will warm to Sir Anthony's thoughts about the jobs his lift-truck venture is creating.

So far, the project has kept 60 people employed. And, if Sir Anthony hits his sales targets, this number could rise to several hundred by the turn of the century. Of the new workers employed in actually making things rather than adding to the size of the service sector, Sir Anthony says: "They are not flipping hamburgers."

Peter Marsh

FT GUIDE TO:

BOSNIA

Once again Bosnia seems to be falling apart but this time it's Serb against Serb. After fighting the Moslems and Croats for nearly four years why are they now turning on each other?

The Serb old guard under Radovan Karadzic effectively lost the war at the end of 1995 when Nato finally launched its air strikes. But the headline faction still clings to power. It has refused to comply with the US-mediated Dayton peace accord that envisages a unitary Bosnian state divided into two sections - the Moslem-Croat federation and the Serb "satellite" officially known as Republika Srpska. The old guard's authoritarian and extremely corrupt regime has provoked enough of a backlash to bolster the once weak position of Biljana Plavsic, Mr Karadzic's successor, as the president of Republika Srpska.

So, it's an old-fashioned struggle for power. Mrs Plavsic seems to be enjoying the full support of Nato. Does that mean she's the great hope for a fully integrated, multi-ethnic Bosnia? Unlikely. During the war, Mrs Plavsic was seen as an arch-nationalist ideologue who won over the Serb army's rank-and-file with much publicised visits to the frontline. On the other hand, she says she is broadly committed to the Dayton goals. That means remaining part of Bosnia rather than creating a sovereign Bosnian Serb state or merging with neighbouring Serbia along the lines of the old nationalist dream of a Greater Serbia.

Does it really matter what the Serbs get up to in their impoverished backwater? There's not going to be another war, is there?

Probably not. The demoralised and emasculated Serb army is now firmly under Nato's thumb. But recent events illustrate the growing sense of desperation among the Karadzic hardliners as well as their ability to whip up mobs through a propaganda machine that portrays Plavsic as a traitor and Nato soldiers as an occupying army. If the situation deteriorates badly you could see hordes of refugees on the move again. Also, if Nato pulls out on schedule by next June, a weakened and divided Serb sub-state could be a tasty morsel for the Moslem-dominated federation army - now well equipped and trained by the US.

What a mess. Will Nato pull out? Can Plavsic pull it off? Bill Clinton, the US president, is under pressure from Congress to withdraw or reduce the 6,500 US troops in Bosnia. But there is a growing realisation that Nato will have to stay on. Underlining US backing for Mrs Plavsic, Robert Gelbard, Washington's special envoy, warned hardliners on Saturday of "the most serious imaginable consequences" if they did not comply with the Dayton peace accord. Against most expectations, Mrs

Plavsic controls about half of the Serb entity and is imposing her authority over police forces and the media in the north-west, which is more populated and less poor than the hardliners' stronghold in the east along the border with Serbia.

What about this talk of elections? Can't the Serbs resolve their problems through the ballot box for a change?

Mrs Plavsic dissolved parliament last month and has called for elections on October 12. The hardliners responded by intimidating the Constitutional Court into overruling her decision, and the ruling Serb Democratic party kicked her out. It appears the party, which itself is disintegrating, will do all it can to stop the elections.

Are the two factions at least talking?

Not any more. The "government" controlled by the Karadzic faction in Pale village in eastern Bosnia has cut off dealings with Mrs Plavsic in Banja Luka, a town in the north-west. The power struggle is being played out through control of TV transmitters. Neither side would feel safe in the other's territory and Mr Karadzic wields his power covertly thanks to his special police forces.

Since he's an indicted war-crimes suspect wanted by the UN tribunal in The Hague, why doesn't Nato just go in and remove him?

Much has been made of Mr Karadzic's well-guarded villa in Pale surrounded by farmsteads and homes of ordinary Serbs. But Nato sources say the problem is not so much the snatch operation itself but the possible repercussions. The arrest of Mr Karadzic could lead to violent reprisals against members of international agencies and Nato, as well as undermining Mrs Plavsic's position among most nationalist Serbs. Better to wait for Mrs Plavsic to impose her full authority, through the ballot box if possible, than pile on the pressure for his surrender.

While this Balkan end-game plays itself out, what is life like in the Serb-controlled half of Bosnia?

Fairly miserable. The average wage is less than \$100 a month and many state employees have not been paid for months. Apart from agriculture and the plundering of central Bosnia's forests, the economy is virtually non-existent. Mrs Plavsic's trump card is the promise of international aid if the hardliners are removed and Republika Srpska co-operates with Dayton. Meanwhile, Bosnia as a whole has four currencies, two armies, a central bank with limited authority and little security of movement of people in areas under the control of different ethnic groups.

Guy Dinmore

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FINANCIAL TIMES

Finance



Wolfgang Münchau · Economics Notebook

Weakness of euro just a myth

The new European currency could surprise sceptics with its strength

Nowhere is the herd instinct in financial markets as pronounced as in the belief that the euro is doomed to permanent weakness. The stress is on "permanent". Currency analysts and several politicians have adopted the notion of a weak euro as one of the great certainties of our time. US fund managers are so dismissive of the future European currency that they rank it somewhere between the Albanian lek and the Thai baht. The D-Mark's weakness against the dollar is the clearest symptom of the euro's questionable reputation.

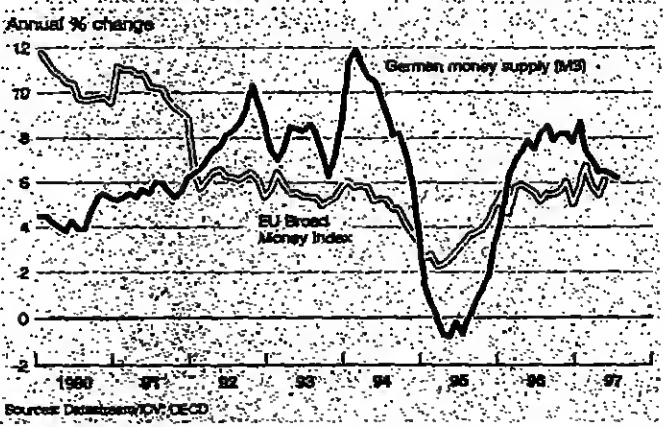
The myth of a weak euro rests on three assumptions. The first and least questionable is that European economic and monetary union will start on time in 1999 with a large membership base, including Italy, Spain and Portugal. Second, it assumes that these three countries - and maybe others - would return to inflationary fiscal policies the minute they are admitted to Emu. Third, European Union unemployment would remain high because of "inflexible" labour markets - a catch-all argument to explain Europe's recent economic failures.

Whatever the merits of these assumptions, this forecast misjudges two important recent trends. European economic growth is at last picking up, and the Bundesbank, the German central bank, appears determined to counteract EU-wide inflationary expectations. The role of the Bundesbank is critical. Until recently, the consensus was that short-term interest rates in Germany would remain at 3 per cent until the start of Emu. From a purely German standpoint, that rate does not seem entirely unreasonable, as Hans Tietmeyer, president of the Bundesbank, explained last week. But the current rates are less appropriate for the Netherlands, Spain or Ireland, whose economies are ahead in the economic cycle and have been growing much more strongly than that of Germany.

Yet the domestic interest rates of each of these countries closely mirrors German rates. Averaging out, the combined interest rates in the prospective member states of Emu are probably lower than they would normally be at the current stage in the cycle. The Bundesbank did not raise its securities repurchase rate last week, but there is a good chance that it may do so at some point this year, especially if the D-Mark were to weaken further against the dollar. The idea that a rise in German interest rates could be helpful for Emu would have been laughed out of court only a few weeks ago. It seems much less laughable now.

The Bundesbank insists on orienting monetary policy purely towards the needs of the domestic German economy. With only 17 months to go until Emu, the goal has remained the same, but the means are becoming more complex. Any build-up of inflation outside Germany will invariably spill over into Germany after 1999. To fulfil its legal obligation of ensuring price stability, the Bundesbank must therefore take into account the whole of the EU, and not just Germany.

EU money supply: a better indicator



behaved much better for the EU as a whole than for Germany alone during most of the 1990s.

So what does all this mean for the euro? First of all, the Bundesbank's determination to counteract inflationary expectations is bound to be matched by the European Central Bank.

As a central bank, the ECB will be more independent than the Bundesbank, since its independence is rooted in the European treaties, and not merely in ordinary law as in the case of the German central bank. The Bundesbank has to support the economic policies of the German government, while the ECB operates under no such constraint.

As a new central bank, the ECB will be keen to establish credibility early on. Given the continued anti-inflationary hawkishness among the EU's central banking establishment, combined with wage moderation and competitive markets, there is little risk of a sustained inflation surge.

current account surplus is estimated at \$116bn (\$70bn) in 1997, much higher than Japan's.

Admittedly, the economic upturn is export-driven, helped by the recent devaluation of EU currencies. But this is the early stage of a cycle. It is not inconceivable that the EU economy might be growing at a sustained annualised rate of more than 3 per cent in 1999, the year Emu is due to be launched.

If the euro is associated with a booming economy, it might become popular among the general public, contrary to what opinion polls currently suggest. By contrast, most Europeans would remember the 1990s as a decade of austerity and low growth. The euro's popularity might only be a temporary phenomenon but it might help sustain the currency politically in its early years.

If the Emu environment is characterised by low inflation, accelerating growth, and a hefty current account surplus, it is difficult to see how the euro could be permanently weak.

It is, of course, possible that the currency may be temporarily weak. Currency markets fluctuate, and they may fluctuate even more in the future, as some forecasters suggest. The euro might, for example, trade at a temporary discount against the dollar until the ECB has established credibility with the markets.

But such fluctuations are largely irrelevant in the long run. At issue here is permanent - structural - weakness. There is little sign of that happening. If anything, there is a greater risk of a more familiar problem. Far from being too weak, the euro may end up being too strong.

The names Rembrandt, Picasso and Van Gogh are more likely to evoke images of paintings to covet than people to emulate. Yet success in today's competitive business environment requires the mindset of an artist, argue Richard D'Aveni of the Amos Tuck School of Business at Dartmouth in the US and Gary Hamel of the London Business School.

Both believe management theory has been masquerading as a precise science for too long. Prescriptions for better-run companies are often presented as absolute truths. In the 1980s, for example, building market share became the Holy Grail of the business world; later re-engineering was the prevailing mantra.

Such ideas are valuable as a point of view, the two theorists told a recent annual Academy of Management meeting in Boston, but nothing more. "Management is more art than science," says Mr D'Aveni. "No one can say with certainty which decisions will bring the most profit, any more than they can create instructions on how to sculpt a masterpiece. You just have to feel it as it goes."

Mr D'Aveni and Mr Hamel reject formulaic management techniques in favour of a more fluid approach. Once executives realise there are no set rules, they might be more willing to discard conventional ways of thinking. It is a good time to be a maverick, they say, since old ideas have never been as useless as they are in today's business environment. "Companies should throw out the old ideas and let their imaginations flow," says Mr Hamel.

Mr D'Aveni, in particular, believes industries are experiencing a time of such rapid change and "hyper-competition" that companies are in constant danger of losing their position in the market. Improving technologies, globalisation and the speed at which information is disseminated mean barriers to entry have collapsed and corporate advantages can erode almost overnight.

Mr D'Aveni cites the Seattle-based gourmet coffee chain Starbucks and the software group Microsoft, two companies that went from obscurity to household name-status in the US within a decade. "With things moving this fast, once-important techniques

The art of good business

Forget the scientific approach - managers should emulate artists, reports Victoria Griffith



Bransley

like corporate vision become meaningless," he asserts. "Companies have to constantly re-think the whole business."

To Mr Hamel, the momentum of brand-names and strong relationships with customers and suppliers provide some degree of continuity. "Microsoft would have to ignore totally their products for at least three years before we'd see its market share fall," he believes. Yet the advantages of seniority are almost beside the point in today's markets, he says. Companies should measure their success not by the

fact they are still around and making money, but by how many opportunities they have missed.

Mr Hamel believes International Business Machines should look on Microsoft's very existence as a failure on its part to capture a new market. Traditional coffee brands such as Nescafé and Maxwell House should view Starbucks as a golden opportunity for expansion that somehow slipped through their fingers. "The danger in today's environment is that the competition may not attack you head on, but eat away at growth opportu-

nities over time until they've made you irrelevant," says Mr Hamel.

Avoiding this fate, say Mr D'Aveni and Mr Hamel, depends on managers' willingness to discard old orthodoxies. If executives wish to fulfil their true potential, they must be willing to change the rules themselves, in the same way Van Gogh and Picasso revolutionised the art of painting during their lifetimes.

Richard Branson, chief executive of Virgin, is an example of a corporate artist, according to Mr Hamel. He changed the concept

of what an airline should be by stressing the fun of flying. Challenging such conventions is one of the best ways to bring about success in today's business environment.

"Industries are full of meaningless conventions," says Mr Hamel, pointing to hotels as an example. "Why, for instance, should people only be allowed to check in at 2pm and forced to leave by noon the next day, or pay an extra night? I rent a car for 24 hours, and choose the time of pick up and drop off. Hotels could do the same."

While executives must be wary of management techniques that are presented as gospel, certain mind-sets makes original thinking in the business environment more likely, say Mr D'Aveni and Mr Hamel.

Concentrating on the customer, may be the best way to spark creativity, they say, pointing to the supermarket chain Tesco. "Tesco changed the way it dealt with its customers by having smart cards to track purchases and reward its most loyal buyers," says Mr Hamel. "It changed the rules of the industry."

Business people should constantly question the very definition of their industry, they say. Until last year, the US book store chain Barnes & Noble was concentrating most of its efforts on fighting rival Borders for market share in the physical world, building mega-shops within a stone's throw of its competition. "But then along came Amazon.com (the internet book shop) and all of a sudden, the very idea of a book store is different," says Mr Hamel. This year, Barnes & Noble made a large commitment to the world wide web to fend off the new threat.

It is easy to accept the argument that companies would be more successful if all managers were as creative as Mr Branson or Bill Gates, Microsoft's chairman. But is that a realistic goal? Mr Hamel believes it is, and has started a special consulting group, Strategos, in California, to accomplish that task. "I think being like Branson is something that can be learned, to a certain extent," he says. "Most famous artists went to art school." While few art school graduates become Picassos, Mr Hamel believes "You can still elevate the level of their work by teaching them to be heretics. That's what I aim to do."



Barker (left) and Becher-Wickes: Humans must add value to a product

PARTNERS

Ideal Hardware

James Becher-Wickes and Simon Barker, both 37, founded Ideal Hardware in 1985. Their Surrey-based company distributes data storage products, including CD-Roms and optical disks. In 1994, they launched a satellite television station which provides daily information programmes for their customers. Their annual turnover is £170m.

James: "Simon joined me around the time everyone was wearing bright red braces, including accountants. I advertised for a financial controller, then felt intimidated by the way most of them were dressed. It wasn't until he showed up in a suit that I knew I'd found a partner. He came across as fairly meek and mild, which wasn't as I later discovered, the case at all."

Within four weeks of trading, he tried to talk me out of our first deal, because he thought this particular US company was run by cowboys. Being a typical marketing sales person I said 'Don't worry about it, then the company went bust the day we transferred our £250,000 of venture capital. Fortunately, our bank had made an error so we got the money back.'

The next disaster came a few years later, after Simon and I got carried away with our success. We invested heavily in a company making fax/modem cards only to find we'd completely over-estimated the market. It got so bad Simon was doing cash flow forecasts twice a day. Even our sales force offered to work for commission only, which is something we carried on when business improved.

I'm convinced we won't need humans to sell us mundane products in the future, we'll

simply buy everything via the Internet. Humans must add value to a product which is why my sales team are at the forefront of technology."

Simon: "Our business philosophy: 'Knowledge is everything.' is very much driven by James. He's constantly reading about the industry so he knows exactly where the market is going. It seems to possess ultimate knowledge which is extraordinary when you consider there are 200 new product releases a week."

If he has a problem, it is in justifying his existence within the company. Whereas I can demonstrate the efficiency of an operating system, his work in marketing is more nebulous. He's very strong on corporate identity and customer service which are areas that are difficult to quantify financially. The day he bounded into the office saying we needed to start a satellite television station for our customers, I should have taken the accountants line and said, 'It'll cost millions, whereas the return on the investment, I've worked with him long enough to know that my job is to make things happen, as opposed to finding reasons why they won't, or can't.'

In fact James has dyslexia where numbers are concerning so he's no longer allowed to talk about them. We've had many embarrassing situations in front of City analysts. He's got simple things wrong, like gain or lose a dozen employees in the space of 24 hours. Whereas I tentatively understand the relationship between a sequence of numbers, that never happens in James' head. Consequently, he isn't allowed in the City alone, except at our peril."

Fiona Lafferty

Measured by a Big Mac

Diane Summers on a UBS global wages survey

Employees in Zurich, Geneva, Tokyo, Luxembourg, New York, Houston and Los Angeles have the highest take-home pay, once taxes and social security contributions have been deducted.

At the other end of the scale, the lowest net hourly wages are paid in Nairobi, Bombay, Shanghai, Budapest, Moscow and Manila, according to a survey of international prices and wages published by the Union Bank of Switzerland.

UBS looked at 12 occupations across the globe, including primary school teacher, bank clerk,

labourer and mechanic. An experienced operations manager, about 40 years-old in the production department of a metal working company would earn \$73,500 (£46,000) a year net in Zurich, while the figure for London would be \$30,800 and \$3,300 in Nairobi.

UBS's most intriguing analysis is of differences in purchasing power, as measured by how many minutes it takes across the 12 occupations to earn enough to buy a Big Mac hamburger - a food item that is pretty standard in quality around the world. The average wage earner in a

North American city has to work 11 minutes to earn a Big Mac, while the cities of western Europe and the middle east also come in below the global average of 37 minutes - in Paris and Brussels, for example, it takes 21 minutes, Madrid 34 minutes, and Stockholm 22 minutes. Meanwhile, workers in Nairobi labour more than three hours.

As for hours worked over a year, the highest figure was an average of 2,149 in Asian cities, and 1,773 in Europe. Those in Berlin and Frankfurt had the greatest number of paid holidays, with 30 days a year.

The taste of living

How long the average wage-earner has to work to buy a Big Mac

City	Longest time	Shortest time
Nairobi	156	156
Manila	117	117
Bombay	104	104
Moscow	103	103
Bucharest	91	91
Bangkok	85	85
Shanghai	77	77
Shenzhen	74	74
Prague	56	56
Source: UBS		

The average for Shanghai was 12 days a year, Mexico City 8.7 days and Taipei nine days.

Globe. Free from any UBS branch or UBS Economic Information Centre. PO box 8021, Zurich. Also on <http://www.ubs.com/research/ecoglobal.htm>

*Prices and Earnings Around the

Prices for electricity delivered to the premises of the electricity supply and distribution companies in England and Wales, in pence per kWh										Prices for electricity delivered to the premises of the electricity supply and distribution companies in England and Wales, in pence per kWh														
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MARKETING / ADVERTISING / MEDIA

UK high street banks are often accused of making claims they cannot meet. So the new advertisements from Lloyds TSB seem refreshingly modest. The campaign, which starts today, tells customers about an event that happened more than 18 months ago: the merger of Lloyds Bank and the TSB Group.

The bank's research demonstrated a need to show that customers, as well as shareholders, were benefiting from the merger. The project underlines some of the marketing difficulties of bringing two organisations and their brands together. These include matching the advertising with the changes experienced by consumers, and moving to a combined brand personality.

The theme of the ads is that partnership between the two banks gives customers easier and more convenient banking through access to a more extensive network of branches and cash machines. The campaign will run for six weeks and is estimated to cost £5m (£3m).

BRANDING

One plus one still equals two

Alison Smith on a bank's attempt to show that merger benefits customers

Famous couples, such as Laurel and Hardy and cartoon characters Tom and Jerry, feature in the television ad, while posters show the two banks' corporate colours - green for Lloyds and blue for TSB - coming together. "We're saying that the two together are greater than the sum of their parts, and that one and one equals three," says Ford Ennals, director of marketing.

It is not clear how well consumers will respond to that message. In practice, having access to about 3,800 branches should make banking

easier. But in some parts of the UK, such as Scotland, there are fewer outlets with less overlap between the two networks. The benefits are therefore limited.

There is also a risk of disappointed consumer expectations: depositing and drawing money will cover most branch transactions, but Mr Ennals says that, for financial advice or specific products, "we will encourage people to go to their home brand".

The group's mortgage brand, Cheltenham & Gloucester, runs its own advertising. But getting the balance

right between the joint corporate campaign and the separate marketing of each bank is difficult. Mr Ennals believes that in about a year "people will naturally associate Lloyds and TSB together, as separate brands but a partnership".

Until then, advertising aimed at attracting customers must be finely judged. In terms of young people opening their first accounts, Mr Ennals admits that both brands are targeting the same market. Given the competition in personal financial services, neither can afford to relax its effort. But the aim of focusing those efforts so they are "complementary rather than competitive" will be easier said than done.

Eventually, the group's marketing team, its ad agency DMB&B and design consultancy Wolff Olins, must merge two corporate identities into one personality. A long-running association with the image of Laurel and Hardy, carrying echoes of the catchphrase "another fine mess you've got me into", may turn out to be a risky approach.

Tim Jackson • On the Web

A roaming opportunity too good to pass up



Signing up customers, and persuading others to help you do this, is probably the most important challenge facing internet businesses. Companies that have responded intelligently to this challenge have often seen impressive results.

Netscape's idea of giving away beta software, the source of spectacular growth in its first months, has become standard. Amazon's affiliates program has turned thousands of web sites into a sales force for its online bookstore.

This column looks at the choices facing iPass (www.ipass.com), a company based in Mountain View, California. iPass's product is internet roaming - the facility allowing people to dial into the internet away from home, using an internet service provider they do not have an account with.

iPass was founded by Chris Moore, 34, former head of Asia-Pacific sales for General Magic. The idea came from an attempt to set up an internet faxing service. The best way to keep down the cost of internet faxing is to carry the fax over the internet as close as possible to its destination, popping it out on to the public phone network where the last leg of the journey will be cheapest. This raises difficult settlement issues, because the company sending the customer's fax over the internet is different from the company "terminating" the fax at the other end.

When his internet-faxing project came to nothing, Mr Moore realised that the work would be useful in a business that allowed a customer of one internet service provider (ISP) to use another ISP's network.

The issue of settlement is more significant than it sounds. When Global Internet, an innovative ISP in

London, set up a Europe-wide roaming service called EuroGold, it found that German ISPs were reluctant to sign up on the assumption that roaming revenues from their customers travelling abroad would outweigh the costs of letting foreign customers on to their network. Without a settlement mechanism, the progress of the alliance has stalled.

iPass's solution is to set a price per minute that it pays an affiliate ISP for giving network access to a client, and a per-minute price that it charges for the same service. iPass's profit is the gap between the two. The per-minute charges are paid by the user's ISP; at wholesale, selling prices range up to 16.5 cents, and iPass's average gross margin is 18 per cent.

The business is growing nicely. The partners signed up to iPass have access to 150 countries. Its nearest competitor, Aimquest in Milpitas, California, appears to offer access in fewer countries, judging by its web site (www.aimquest.com).

iPass's system is elegantly designed and easy to use. When the ISP's customers want to use the roaming service, they download a neat little piece of client software which takes about five minutes to install. They can pick a country and then a city. Thirty seconds and a few mouse clicks later, the program icon in Windows 95 which allows them to use the internet from any one of the network's 750 cities.

About 850,000 of the subscribers of iPass's partner ISPs - 5 per cent of the total customer base - are roamers who use the service. The average regular roaming customer is on the internet for five hours a month using iPass, and spends \$30 (£18) for the privilege. The company's share of this revenue is the equivalent of a run rate of nearly \$1.5m - a figure that Mr Moore expects to see quadruple within three months.

Yet that 5 per cent figure is troublesome. If iPass could increase take-up among its ISP's customers to 20-30 per cent, it could see more dramatic growth.

The problem is that iPass charges its ISPs a \$2 fee for each customer who roams during the month - even if the customer spends only one minute on the internet. ISPs have responded to this in two ways. Some charge customers a sign-up fee for the roaming service. Others charge clients by the minute but keep the roaming service discreet to avoid encouraging those who would use it so infrequently that they would fail to cover the \$2 charged by iPass.

This seems an opportunity missed. By imposing the monthly fee, iPass is discouraging ISPs and their customers from roaming. It should be doing the opposite: giving ISPs an incentive to encourage customers to try roaming for the first time.

In my view, iPass should abolish the \$2 fee and make the first three minutes of roaming free. In return, it could ask ISPs to promote the service. Imagine the pitch: a banner on your ISP's home page saying: "Check your e-mail from Azerbaijan for free." The result should be higher take-up of the service, and utilisation that soon covers the cost of the promotion.

When I suggested this to Mr Moore, he appeared astonished. His customers, he said, seemed willing to pay the fee because the alternative was to pay international call rates to the idea.

If you see a banner ad on your ISP's home page touting the Azerbaijan offer, remember where you read it first. Meanwhile, iPass remains an interesting company to watch.

tim.jackson@pobox.com

MARKETING

Opel takes unusual marketing route

Carmaker drops speed and luxury in favour of caring image, writes Graham Bowley

In the approach to this month's Frankfurt motor show, one German carmaker is taking a different marketing route. Instead of emphasising the speed, engineering or luxury features of particular models, the ads from Opel, a subsidiary of General Motors of the US, focus on the company's care for its workers and concern for the environment.

The campaign is unusual not just because the company highlights its role as a German employer but also because it involves its chief executive, an American.

Since March, readers of German newspapers have been greeted by the sight of David Herman, Opel's 51-year-old boss, posing purposefully alongside slogans such as "Wir starten durch" - "We are on our way".

The company is one of Germany's biggest carmakers with worldwide sales

last year of DM28.3bn (\$18.3bn). But critics think that rival Volkswagen, with its successful Audi, Seat, Skoda and VW brands, has been stealing a march on Opel, which has suffered from concerns about deteriorating quality and lack of new products.

Opel has also become embroiled in the emotional debate about high unemployment in Germany. Since this has been fanned by job losses at several of the country's biggest companies, in favour of expanding sites abroad, Opel's US ownership and globalisation drive has not helped.

Some analysts believe the company's German credentials may have been further damaged by GM's dispute, settled in January, with Volkswagen over alleged industrial espionage.

The latest campaign tries to address these concerns by underlining Opel's commit-

ment to the German *Standort* - the concept of Germany as a successful place to do business. "We wanted to say clearly that we are a German company and that we are a good corporate citizen," explains Dieter Schmidt, a spokesman for Opel. "We have been here all these years and globalisation does not mean Opel will neglect its home market."

The campaign emphasises new investments in east and west Germany. The ads featuring Mr Herman concentrate on Opel's plans to launch 26 models and model variants by 2001.

Alexander Demuth, the Frankfurt-based ad agency responsible for the campaign, insists Mr Herman's appearance has been a success, though he is being dropped from the latest stage of the campaign.

"We will continue with the same themes as before. But he was never meant to be



New tactic: Opel's German ad featuring its chief executive

the hero of the whole campaign, just one important part of the Opel universe," says Wolfgang Kusters, the agency's managing director.

Though it is a rarely used tactic, Peter Weissenberg at Werben und Verkeulen, a leading German marketing magazine, says that featuring company bosses can be effective. But the approach carries risks, he says. The

company could be damaged if the person who has become its public face suddenly leaves.

And in addressing a sophisticated audience there is another danger, he says. "It might backfire if readers think the chief executive is having to appear to tell people everything is OK. [That might imply] things must be really bad."

Ad in the News • Reebok

Five-minute wonder in animation

Reebok has broken many of the unwritten rules of mass-market advertising with its new commercial. It will be seen mainly at the cinema, even though football stars Peter Schmeichel and Ryan Giggs are under contract with Reebok. We only see them in animation form; and, most daring of all, the ad is five minutes long.

It is more like a film, and even has a title: *Doppelgänger*. It begins with Jimmy Hill, the football commentator, wondering what has happened to squeaky-clean Manchester United star Giggs who we see bawling in a pub. The answer lies in an underground laboratory where the dastardly rival team chairman Reginald Backhand has cloned

Giggs. The "horrible" Giggs is to play in that day's cup final against United. The "good" Giggs escapes to Wembley. There he convinces United's goalkeeper Schmeichel that he is real, partly by showing him his Reebok boots.

Giggs saves the game for United. The film ends with Backhand threatening to drop Jimmy Hill from a height if the crowd does not keep back: it rushes forward. There follows a credit sequence and a "brought to you by Reebok" message. This, together with a similar device at the beginning, the shot of Giggs' boots and one of a Reebok ball flying through the air, provides the only clue that we are watching a Reebok ad.

Reebok agency Lowe



Film star: animation form Ryan Giggs in Reebok's ad

will reach a large and more relevant audience.

While Nike sells attitude, Reebok (UK) tries to market product attributes: Giggs would be nothing without his Reebok boots, so don't you wish you were in his shoes? In marketing jargon, Reebok continues to zig while Nike zigs.

The only British advertising comparable with this ad is Scottish Courage's Miller Time, which gave us three-minute spoof chat shows in a weekly television "programme" signposted by traditional 30-second ads. Expect more such media-led initiatives as advertisers strive to get their messages heard.

Stefano Hatfield
The author edits Campaign

ADVERTISING

Brands enter the classroom

Helen Jones on campaigns set to feature in pupils' books

As pupils return to school this week for the autumn term, some will find their exercise books have changed. Instead of the usual dull covers they will feature corporate logos and messages from sponsors such as Weetabix and PepsiCo.

Marketing company Lasting Impressions is giving its Jazzy Books to 700 primary and secondary schools in Britain. If the scheme is a success, it hopes to provide every pupil in Britain with free exercise books.

Marketing to schools is not new. The National Consumer Council estimates companies spent £300m (£48m) marketing to schools last year. Tesco, the supermarket chain, allows parents to collect points towards the purchase of school computers. But this is the first time companies have paid for essential resources.

"Schools spend £10m on exercise books each year," says Neil Eastwood, Lasting Impressions' programme manager. "Under this scheme they get the books free so cash can be used for other essential purchases."

Mr Eastwood says sponsors' messages are vetted to ensure they do not overtly advertise brands. "We have an ethical panel run by the National Confederation of Parent Teacher Associations that makes sure the messages and the artwork are suitable for use in schools. Sponsors are not allowed to say, 'Buy our product'."

The company ran a pilot scheme this year sponsored by retailer C&A and glue brand Pritt to assess the reactions of teachers, parents and pupils.

"We ran messages promoting courtesy and consideration for others, and one page of the book features clothing which carried reflector strips so that children can be seen in the dark," says Mary Sangster, advertising manager for

'Schools are faced with a dilemma but advertising has no place in schools'

C&A. "We see our involvement as a corporate awareness campaign." PepsiCo is sponsoring the books. "We get involved in a lot of things that are of value to the community but it doesn't necessarily mean that our name will be splashed across the front page," the company says.

Margaret Morrissey of the Confederation of Parent Teacher Associations says teachers and parents have to take a pragmatic view of sponsorship and funding. "We have to be realistic. Schemes such as Jazzy Books do provide real cost savings," she says.

But teachers and parents, unions and local education authorities have expressed concern about increasing commercialism in the classroom. One scheme causing disquiet is being proposed by Essex-based marketing company Imagination for School Media Marketing. It plans to pay 300 secondary schools £5,000 a year to carry poster advertising in school corridors, gyms and dining halls.

Len Gridley, managing director, says: "The first posters will go up in January and we are currently

negotiating with a number of advertisers including retailers, chain stores and the Central Office of Information which may run drugs awareness and other educational campaigns."

Mr Gridley says he has a preferred list of advertisers which includes driving schools, banks and building societies, and employers advertising weekend jobs. A second list which he describes as "a little more contentious" includes theme parks, cinemas, food manufacturers and retailers. Some advertisers, including confectionery and sportswear companies, will be banned.

Teachers' unions are opposed to the scheme. "Schools are faced with a real dilemma but advertising has no place in schools," says Eamonn O'Kane, deputy general secretary of NASUWT, Britain's second largest teachers' union.

Ms Morrissey adds: "Although £5,000 will help pay towards the cost of a teacher, we feel that children are targeted by companies almost from birth and that school should be one place where they are not subject to that pressure."

FTid - The Internet Directory

Internet Directory

All of these can be accessed via hyperlink directly from the Financial Times at <http://www.ft.com>

The following companies want you to know that you can find out more about them by simply looking them up on the World Wide Web:

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MINIMUM ORDER 10

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Fax: +44 (0)161 962 5050

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www.stjamesclub.co.uk

Tel: +44 171 629 7688

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ARTS



COGNITION
Woody Allen's new film, *Deconstructing Harry*, is a triumph for egomania. Both the best films, *Deconstructing Harry* and *Sally Potter's The Tango Lesson*, plant their makers firmly in the middle of the screen. The British writer-director of *Orlando* plays a filmmaker hurling her creative block by pursuing a passion for Latin American dance and a Latin American dancer. Woody Allen plays a New York writer trying at the edges as his fictionalised women mix with his real ones.



BERLIN
The Berlin International Film Festival, which began on September 6, will follow on September 11. All production companies are invited to submit their films for consideration. The festival will be completed over the coming two seasons.



LONDON
Proms Highlights this week include two concerts by the Royal Concertgebouw Orchestra (tomorrow and Wednesday) and the UK premiere of the opera *Venus and Adonis*, by Handel, on Friday.

The festival to date has been a triumph for egomania. Both the best films, *Deconstructing Harry* and *Sally Potter's The Tango Lesson*, plant their makers firmly in the middle of the screen. The British writer-director of *Orlando* plays a filmmaker hurling her creative block by pursuing a passion for Latin American dance and a Latin American dancer. Woody Allen plays a New York writer trying at the edges as his fictionalised women mix with his real ones.

Since Venice's heraldic beast also stars in his own new movie, 20 swashbuckling seconds, preceding each competition entry, in which a boldly digitalised lion flies over the Grand Canal and St Mark's Square before settling on its pillar with a hi-fi growl and morphing into the festival logo, the moral is clear. Don't lurk behind the scenes or behind other actors; be a star in your own movie or movie event. (For many the lion's promo film, staged what it was probably meant to celebrate: the arrival of a new festival director, Felice Laudadio, whose early days have been spent apologising for the chaos of overcrowded screenings.)



Emma Thompson and Phyllida Law in 'The Winter Guest'

Directors steal the scenes

Nigel Andrews reports on rampant egos at the Venice Film Festival

Her character casts aside work on a thriller screenplay to go to Paris and fall in love with the tango. Her new passion is soon her new film subject; her handsome new dance teacher (Pablo Vercini) is soon her new star and lover.

Even the less successful British-directed films, like Philip Saville's *Metroland* and Mike Figgis's *One Night Stand*, showed to packed houses. The first, a Julian Barnes-based comedy of 1970s life, plays like a Rank movie of the 1960s, complete with socking colour, jaunty music and ooh-la-la Frenchwomen. The second seems like an apology for past triumph from the maker of *Leaving Las Vegas*: Wesley Snipes and Nastassja Kinski in a cross-colour romance high on political correctness and low on drama or human credibility.

Three other generation-spanning couples - two elderly female gossips, two lovestruck teenagers, two beach-playing schoolboys - are intercut, exchanging elliptical, play-based dialogue that sounds like Samuel Beckett Lite.

Italy's *Moonspins Between Earth And Sky* and *The Vesuvians*. These are twilight-of-the-century Euro-films whose very titles leave one pained and giddy and whose plots try hard - illusion! reality games (*Heaven*), flashbacks to ancient history (*Moonspins*), intertwining tales (*Vesuvians*) - while achieving little.

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
European Union Youth Orchestra: Bernard Haitink conducts works by Beethoven and Bruckner; with piano soloist Emanuel Ax; Sep 3.

EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
The Portrait of a Lady: Sargent and Lady Agnew. "Lady Agnew of Lochnaw" by John Singer Sargent (1856-1925) is the centrepiece of this exhibition which includes more than 20 portraits by Sargent himself - including Ellen Terry and Ethel Smyth - as well as works by his contemporaries and memorabilia from his studio; to Oct 19.

Royal Scottish Academy
Tel: 44-131-624 6200
Sir Henry Raeburn (1756-1823): major exhibition of around

seventy works by this most famous of Scottish painters, bringing together the works owned by the National Gallery with loans from around the world. The exhibition will travel to London; to Oct 5.

FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-3328451
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Riviera in the 1880s, to Venice in 1908; to Sep 14.

KASSEL

EXHIBITION
Various venues
Documenta: giant five-yearly survey of contemporary art which takes place all over Kassel. Starting at the old railway station, this tenth edition has been selected by French curator Catherine David; to Sep 28.

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● Hausmusik London: performs Brahms' Clarinet Quintet in B minor and Mendelssohn's Octet in E flat major; Sep 4
● Royal Concertgebouw

Orchestra: in a programme of works by Strauss, conducted by Music Director Riccardo Chailly; Sep 2
● Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in a programme which includes works by Kuris, Bartók and Strauss; Russian pianist Arkady Volodov plays Rachmaninov's Piano Concerto No. 2 in C minor; Sep 3
● Sir Charles Mackerras conducts a concert performance of Handel's *Jephtha*, performed by The New Company and Scottish Chamber Orchestra; Sep 1
● Yan Pascal Tortelier conducts the BBC Philharmonic in Mozart's Piano Concerto No. 25 in C major, K503, with soloist Alfredo Perl; and Ravel's *Daphnis and Chloé*, with the BBC Singers and Royal Liverpool Philharmonic Choir; Sep 4

EXHIBITION

Royal Academy of Arts
Tel: 44-171-439 7438
Hiroshige: Images of Mist, Rain, Moon and Snow - celebration of the bicentenary of Hiroshige (1797-1858). Japanese master of the coloured woodcut, whose landscapes provide an atmospheric picture of 19th century Japan; to Sep 28.

LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-210 3080
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Schubert and Rihm.

With violin soloist Rainer Kussmaul; at the von Moos-Stahl-Halle; Sep 1
● Budapest Festival Orchestra: conducted by Charles Dutoit in works by Berlioz and Liszt. With piano soloist Martha Argerich; at the von Moos-Stahl-Halle; Sep 3
● Budapest Festival Orchestra: and the Luzerner Festwochenchor conducted by Charles Dutoit in works by Berlioz, Debussy and Holst; at the von Moos-Stahl-Halle; Sep 4
● Oslo Philharmonic: conducted by Mariss Jansons in works by Beethoven, Strauss and Bartók; at the von Moos-Stahl-Halle; Sep 2

MONTREAL

EXHIBITION
Museum of Fine Arts
Tel: 1-514-285 1600
Ediles and Emigrés: The Flight of European Artists from Hitler. Focusing on the 12 years of Nazi rule 1933-45, this show - previously seen in California - explores the work of 23 artists during their years in exile, their continuing relationships with European societies and their impact on the United States; those featured include Salvador Dalí, Max Ernst, George Grosz and Piet Mondrian; to Sep 7.

MUNICH

EXHIBITION
Kunststiftung
Tel: 49-89-224412
Markus Lüpertz (b. 1941), one of Germany's leading artists, is the subject of a retrospective which

includes paintings, drawings and sculptures from throughout his career; to Sep 14.

NEW YORK

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
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Edinburgh Festival

Falling out of love with a thump, thump, thump

Peter Stein's production of *The Cherry Orchard* is Masterclass Theatre. A 1906 Salzburg Festival staging, which in turn built on his 1989 account for the Berlin Schaubühne, it came to Britain this last weekend to round off the Edinburgh Festival. The actors are highly skilled, the designs are charming, the whole show is sensitive and intelligent. And yet...

he suddenly sweeps her into a backhand, kisses her at great length, and then drops her on the floor. This, of course, so encapsulates their entire relationship that it gives you nothing to look forward to. So what happens in Act Two? He does the same backhand/smacker/drop routine all over again. In Act Three, Firs (Granko Samarovski) falls onto the floor in ill-health; then Lopakhin (Daniel Friedrich) falls onto the floor in drunken euphoria; then Mme Ranevskaya (Jutta Lampe) falls onto the floor in misery. Thump, thump, thump.

Alastair Macaulay

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COMMENT & ANALYSIS



Philip Stephens

Seize the day

David Trimble must face the IRA across the negotiating table for multi-party talks to have any chance of success

Talk to Tony Blair about Northern Ireland and the frustrations soon show. Politicians, he will tell you, are ever accused of duplicity, of cynical double-dealing for party or personal advantage. As often as not, they are hard put to refute the charge. On one issue, though, political leaders of all colours in Britain are driven by a desire to do the right thing. And yet never do the denunciations echo louder than when they set off in search of peace for Northern Ireland.

The thought must have crossed his mind more than once when he sat down in Downing Street last week with David Trimble, the leader of Ulster's largest unionist party. Mr Trimble's participation is vital if the multi-party talks on the political future of the province, due to resume on September 15, are to be anything but a charade. But, by all accounts, this was a rough encounter.

For over an hour, Mr Trimble inveighed against Mr Blair's intention. There are many reasons why he decided to make a last push for peace in the early months of his premiership. Forcing the province's unionists into a united Ireland was not one of them. Mr Blair believes what he said in Belfast last May, if the border between north and south were eventually to disappear, it would not be in his lifetime.

In some respects, the so-called peace process was simply unfinished business from John Major's government. In spite of his tenuous grip on power Mr Major

had taken risks. Secure in power for five, and more probably 10, years, I doubt whether Mr Blair would have done his reputation much good by refusing to give it even one shot.

He was also nervous, worried that if the momentum was lost, the province might simply have exploded in violence. Shut out from the political process, the IRA might have responded with a terrorist campaign as vicious as any seen in the last 30 years. As to the real intentions of the Republicans, well Mr Blair, like the rest of us, concluded it was impossible to tell. But there was sufficient ambiguity to make it worth a try.

Mr Trimble, of course, takes a different view. He sees the latest ceasefire as merely tactical, another step in Sinn Féin/IRA's strategy of replacing constitutional nationalism with violent Republicanism and subverting the relationship between the government and the unionist parties.

He has a point. Marjorie Mowlam, the Northern Ireland secretary, has judged the six-week Republican ceasefire sufficient to secure Mr Gerry Adams, the Sinn Féin president, and Martin McGuinness, its chief negotiator, places at the talks table. But she chooses her words carefully.

Mr Trimble's participation is vital if the multi-party talks on the political future of the province are to be anything but a charade

The cessation has been "unequivocal". That's not quite the same as genuine. Sinn Féin/IRA has done nothing to reduce its military capability. Perhaps that is why Ms Mowlam remarked there had been no evidence during the ceasefire of "active targeting and paramilitary assaults which can be directly attributed to the IRA" (my italics).

So for Mr Trimble the idea of extending the band of friendship to Mr Adams is repulsive. He is not alone. Mr Major once admitted the prospect of clasping a hand stained with so much innocent blood turned his stomach. I would wager that, privately, Mr Blair feels no differently.

But some time after September 15 the prime minister will bite his lip and do just that - as indeed Mr Major would have done in the same circumstances. By then, Mr Trimble will have had to make his choice.

So far he has kept his options half-open. Ian Paisley's headline Democratic Unionist Party, predictably, will absent itself from the negotiations. There is no surprise there. In a peaceful Northern Ireland, the DUP would be irrelevant. Mr Trimble's consultation exercise among the wider unionist community has thrown up a different message. His party worries, of course, about being outflanked by the DUP. There will be many whispering in Mr Trimble's ear that he must not be the first unionist leader since partition in 1921 to face the IRA across the negotiating table.

Yet party activists even in his own constituency of Upper Bann are sure too that a unionist voice must be heard in the negotiations. Mr Trimble should listen carefully. He should also ask himself a question. How is it that, so often, the political representatives of Republican terrorism are judged by so many outside

Northern Ireland to occupy the moral high ground?

Part of the answer lies in naivety, above all within the political community in the US. No doubt Messrs Adams and McGuinness will be fated once again in Washington this week, the grieving families of the two Ulster policemen murdered by the IRA in July conveniently forgotten. But unionists cannot escape blame for their image abroad. They have been outsmarted by Republicans. Saying no has become a reflex, intransigence is worn as a badge of honour.

Mr Trimble has a chance on September 15 to prove otherwise. I would not ask him to go as far as shaking Mr Adams hand. But he must not pass up the best opportunity unionism will ever have to put Sinn Féin/IRA to the test. And its intent will not be divided by demanding it hand over a lorryload of Semtex or a few of its Armalites. Nothing would be easier if Mr Adams decided such a gesture was to his advantage.

Mr Trimble knows that the outline of any settlement has already been written. It is there in the Anglo-Irish framework document of 1995. It would involve a devolved assembly in Belfast and a strengthening of Anglo-Irish relations. Unionists, it is true, would have to accept closer north-south co-operation. But all sides, Dublin included, would endorse partition. As Mr Blair has said, the guarantee of the province's constitutional status within the UK is "absolute". A united Ireland is not on offer.

This is the reality that Sinn Féin/IRA has so far managed to evade. As long as opponents focus on just when and how the IRA might surrender its weapons caches, Mr Adams will continue to dodge it. Mr Trimble could change that. He owes it to unionism to seize the moment.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Rules must go a step further to take nationalism out of anti-trust

From Prof Eleanor M. Fox, Sir, In "Wrong Lesson from Boeing" (August 13), Daniel Tarullo argues that competition problems in world markets must be solved by the neutral principles of antitrust law, not political might. He provides a framework for solving world competition problems: co-ordination among anti-trust authorities around the world, soft harmonisation of law through cross-fertilisation, possibly with agreement to prohibit price-fixing and market division, and consideration of rules to pry open foreign markets closed by anti-competitive restraints.

I would add: we need rules that go a step further to take narrow nationalism out of anti-trust. Nations should agree not to allow private

restraints that enrich their own firms by hurting their neighbours, and they should agree to a system of dispute resolution to back up the rules.

Teresa Wyszomierski's letter (August 15) criticises Tarullo's proposal on grounds that antitrust is hopelessly political. Her case in point is the Justice Department's criminal suit against Nippon for conspiring in Japan to fix prices of fax paper in North America, and the US Court of Appeals' decision refusing to dismiss the indictment. She states: "The fact that US consumers were injured by such a small supplier [6 per cent of the US market] painfully points to a purely political motive."

Quite the contrary. The rule against price fixing is a neutral principle and one of

wide international acceptance. It applies to big and small conspirators alike and it applies without discrimination as to nationality. As the US Court of Appeals observed, the same conduct would violate Japanese law if it harmed Japanese buyers and if US law did not reach the conduct, it would slip through the cracks of the global economy.

It may be a daunting challenge to take politics and narrow nationalism out of anti-trust, but this is a noble task for the new working group at the World Trade Organisation.

Eleanor M. Fox, Professor of Law, New York University, 40 Washington Square South, Room 306, New York NY 10012-1099 US

Japan's health tricky to judge

From Mr Joost Pielage

Sir, Gillian Tett begins her article "Japan's stormy weather" (August 22) by quoting a yield of 2.55 per cent on 10-year government bonds as evidence of the Japanese economy's weakness.

She must be referring to the Japanese Government Bond #182, which is still considered the "bellwether" bond. But, maturing on 20 September 2005, this is hardly a 10-year bond any more. More accurately, both the JGB futures (a notional 6 per cent, 10-year contract) and 10-year interest rate swaps carry an implied yield of around 2.55 per cent.

Of course, while this higher yield hardly translates into a vibrant economy, current pessimism is merely back at the levels last seen at the end of March, just before the VAT hike, when worries about the economic impact of that hike peaked. Judging the health of the Japanese economy is a very tricky task because of the statistical distortions created by, among others, the VAT hike and the scrapping of income tax rebates. As an example, if you wanted to buy a house at the old, lower value added tax rate, you had to have it ordered by the end of September 1996. Unsurprisingly, housing orders fell sharply from October 1996. From October 1997 onwards, therefore, they will probably show healthy year-on-year gains.

Looking beyond the weak headline numbers, a case can be made that the economy, while obviously not booming, is not as weak as these headlines suggest. But it will be at least another six to nine months before firm conclusions can be made.

Joost Pielage, director, Amstel Securities NV, Weteringschans 87 E, 1017 RZ Amsterdam, The Netherlands

Denying medicines is not 'protection'

From Mr Alan F. Holmer, Sir, Neil Buckley's characterisation of the European Union ban on cattle material as "putting consumer protection above science" ("Mad cow row refuses to die down", August 6) misses the real issue.

Summarily denying consumers access to 80 per cent of all medicines, including drugs many people need to stay alive, should not be termed "consumer protection".

Amazingly, the EU made its decision without considering the risks its action poses to patients who are deprived of needed medicines.

Preliminary risk analysis suggests that the risk of getting bovine spongiform encephalopathy-related Creutzfeldt-Jakob disease from medicines is less than 1 in 100bn. The risk to a heart disease patient of not taking blood pressure medicine, to

cite just one example, is breathtakingly greater. The ban will protect consumers from phantom risks while exposing them to very, very real risks.

Alan F. Holmer, president, Pharmaceutical Research and Manufacturers of America, 1100 Fifteenth Street NW, Washington DC 20005 US

Solar energy cannot justify oil rig disruption

From Dr L.G. Brookes, Sir, Peter Rocha of Greenpeace (Letters, August 26) offers solar electricity from a projected BP factory as a competitive with fossil-fuelled power "even in Aberdeen". The FT (August 25) reports BP Solar as saying that a factory with an output of 500MW a year could produce photovoltaic electricity at 13p per kWh against 64p per

kWh today. The present cost of wholesale electricity from conventional and nuclear sources is 2.3p per kWh. BP plans to increase the output of its present factory to only 500MW a year by 2000. It says a 500MW factory could be justified only if there were a huge expansion of the market for photovoltaic modules, yet its output would be only a minuscule

fraction of the annual growth in demand for electrical capacity. If this is the best Greenpeace can offer to justify its highly damaging swashbuckling on the oil rigs, it is high time it turned its attention elsewhere.

L.G. Brookes, 16 Ashley Drive South, Ashley Heath, Ringwood, BH24 2JT, UK

Personal View • Strobe Talbott

The Great Game is over

We should avoid a replay of 19th century meddling in the Caucasus and central Asia

The transatlantic community has a profound stake in the independence and prosperity of the eight former Soviet republics of the Caucasus and central Asia. Armenia, Azerbaijan, Georgia, Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan and Kazakhstan have a chance to put behind them forever the experience of being pawns on a chess board, as big powers vied for wealth and influence at their expense.

The consolidation of sovereign states and free societies, at peace with themselves and with each other, stretching from the Black Sea to the Pamir mountains, would open up a valuable trade and transport corridor along the old Silk Road.

If reform in the region succeeds, it will encourage similar progress in Russia and Ukraine. It will contribute to stability in a strategically vital area bordering China, Turkey, Iran and Afghanistan, and that has growing economic and social ties with Pakistan and India.

The ominous converse is also true. If internal and cross-border conflicts simmer and flare, the region could become a breeding ground of terrorism, a hotbed of religious and political extremism and even a battleground.

For several years, it has been fashionable to predict a replay of the Great Game in the Caucasus and central Asia. The implication is that the driving force of the region, fuelled and lubricated by the estimated 200bn barrels of oil in the Caspian basin, will be the competition of the great powers to the disadvantage of the people who live there.

The goal of US policy is to avoid, and actively to discourage, that stavistic outcome. In pondering and practising the geopolitics of oil, we should think in terms appropriate to the 21st century and not the 19th.

We should leave Rudyard Kipling and George MacDonald Fraser on the shelves of historical fiction.

The Great Game that starred Kipling's Kim and Fraser's Flashman was very much of the zero-sum variety. What is required now is just the opposite: for all responsible players in the Caucasus and central Asia to be winners.

An essential step is the resolution of conflicts within and between countries in the region. In the nineteenth century, internal instability and division provided a pretext for foreign intervention and adventurism.

In the past decade, since the breakup of the Soviet Union, several such conflicts have erupted again - in Georgia, Azerbaijan and Tajikistan.

The big states that border the eight nations of the Caucasus and central Asia have much to gain from regional peace, and much to lose from regional conflict.

Turkey's increased attention and activism has been a source of support to those who rightly worry about the projection of Iranian influence. But many Russians worry that Turkey's growing involvement in the region might cut them off from the former Soviet republics.

Russia itself is the target of concern, for reasons rooted in history. Under Tsars and commissars alike, Russia's leaders in the past seemed capable of feeling strong, secure and proud only if others felt weak, insecure and humiliated.

There are still plenty of questions and, among Russia's neighbours, plenty of anxieties about how Moscow will handle its relations with the other members of the Commonwealth of Independent States.

Whether that grouping of states survives will depend in large measure on whether it evolves in a way that vindicates its name - that is, whether it develops as a genuine commonwealth of genuinely independent states.

One of the watchwords of the dialogue that the US and its allies are conducting with Russia is integration, as long as it is of the right kind.

The doors, and benefits, of international institutions will be open to Russia as long as it stays on a path of reform. This includes the way it conducts its relations with its neighbours, and that means the way it defines integration in the context of the CIS.

In the realm of its security strategy, there are signs that Russia is more willing than

in the past to pursue its interests in the Caucasus and central Asia in co-operation rather than competition with the west.

One example is the search for a settlement to the war over Nagorno-Karabakh, the secessionist Armenian-populated enclave of Azerbaijan.

Even though the pawns are, for the moment, silent, the fighting of the past decade has displaced nearly 800,000 Azeris - 10 per cent of the population of Azerbaijan - and 300,000 Armenians.

While the ceasefire is welcome, it is also precarious, and the absence of real peace has hurt both Azerbaijan and Armenia.

The Organisation for Security and Co-operation in Europe is working to help find a solution, in Nagorno-Karabakh, one that, by definition, will require compromises on all sides.

Under the auspices of the OSCE's Minsk conference, Russia, France and the US are engaged in an intensive effort to resolve the conflict. The three co-chairs have achieved a high degree of harmony among themselves. That solidarity appears to have encouraged the parties to engage seriously in a search for a solution. With sufficient flexibility on their part, it is possible we could see real progress in the coming months.

Another example of constructive, forward-looking attitudes is in military co-operation. In three weeks, the central Asian Peacekeeping Battalion, made up of armed forces from Kazakhstan, Uzbekistan and Kyrgyzstan, will host troops from the US, Russia, Turkey and other nations in a joint peacekeeping exercise. These units will practise together their skills in minesweeping and distributing humanitarian aid.

The image of American, Russian and Turkish troops participating together, on the same side, in combating threats to the stability and security of the region is itself an antidote to misplaced nostalgia for the era of Flashman and to conventional wisdom that the region is inevitably heading back to the future.

The author is US deputy secretary of state



Consigned to history: Kipling's rules no longer apply

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday September 1 1997

Two kinds of royalty

She blazed out briefly, as the portrait of a different style of monarchy: more personal, more exciting, more direct but, despite the intrusions of the press, a royal nonetheless.

Yet Diana, Princess of Wales, caused great injury to the House of Windsor. By shining the more brightly and by touching the hearts of the people, she made the rest of the royal family appear remote, stuffy and rather dull.

After she married the Prince of Wales in 1981, it seemed a happy accident that she could mix the qualities of a media star with the more stately glamour of royalty.

But soon it was obvious that she stood for more than this. She was rediscovering, in the idiom of the television age, that aura of mystery which set monarchs apart in former times. It might have worked, grafting a new vigour onto an over-conservative institution. Her tragedy, and that of the royal family, was that the two styles could not live together.

Long gone are the days when people believed in the divine right of kings. But the British monarchy retains many of the trappings - the gorgeous ceremonies and sovereignty over the Church of England - which belonged to that era.

These gifts, alas, were all but obscured during the acrimony of her separation and divorce from the prince - especially by their ill-judged television appearances and willingness to let "friends" do battle in the newspapers.

Press, privacy and paparazzi

Of all those needing to ask themselves searching questions after Princess Diana's death, newspaper proprietors and editors will be in the front line - in the UK and elsewhere. A large swathe of public opinion will agree with Paul Spence, the prince's brother, that the press in effect killed her by exposing her private life.

The question is, what? In the immediate after-shock of her death, the public policy answers are far from obvious. But those responsible for the publications that hounded Princess Diana could make a start by accounting for their actions, and stating how they plan to act differently in future.

That the media - including British tabloid newspapers - share some of the blame for yesterday's tragedy is beyond question. Had they not felt impelled to feed public prurience with endless, intimate pictures of Diana, the market which spurred paparazzi photographers into ever more outrageous gambits in search of extravagant rewards would not have existed.

Had their editors and proprietors been prepared to question the provenance of the pictures they bought or the methods used in obtaining them, they would have concluded that the paparazzi fell well short of the code of practice they have agreed for their own staff.

Self-regulation

It is true that the market for this material is international, and that restricting its publication in one country would create an opportunity for others. But the market is shaped in Britain, and it would have been much less significant if the tabloids had withdrawn.

On the face of it, then, the events leading up to Diana's death amount to a failure of press self-regulation. Would some form of imposed regulation - a privacy law, say - have

When the marriage ended, the princess's search for a new role became mired in controversy. This was partly because of the inherent contradiction in her idea of being a queen of hearts when she could no longer be queen in fact.

Denounced

Yet she seemed before her death to be finding a new and powerful voice. When she denounced the use of land mines, the world listened. Even some governments paid attention, much more than they would have done if the words had been uttered by a leading prelate. She commanded the airwaves not only because of her beauty, her stage presence and her status, but because everyone knew she was talking about something which needed saying: man's inhumanity to civilians.

How she might have developed her great power over the world's media can never now be known. Perhaps very little, if she had retreated further into the international circle of super-rich pleasure seekers. Or perhaps remorseless hounding by the international press corps was destined, one way or another, to destroy her. Perhaps, despite her superb abilities as a media performer, she was not tough enough to withstand its demands.

It would be unprofitable to list what might have been except perhaps for one thing: the influence she could yet have brought to bear on her sons and particularly William, a future king. For she had a great gift which is in short supply among British royals: the ability to speak directly and with feeling to the people.

The monarchy will no longer have to compete with her more vivid and disturbing presence. But perhaps her death will, by creating a common sorrow, heal the old wounds inflicted by royal factions in recent years. And perhaps one lesson at least will be taken from her life, that whatever else royalty stands for, it must, in the modern world, know how to stay in tune with the popular mood.

When two political heavyweights of the stature of F.W. de Klerk and Nelson Mandela quit the leaderships of their parties the loss is obvious. The blow might appear even more damaging when the resignations come within three months of each other and while South Africa is still coming to terms with the post-apartheid era.

Mr de Klerk said on Tuesday that he would resign as head of the National party on September 9. Mr Mandela announced last year he would step down as president of the African National Congress during the party congress in December, although remaining state president until the 1999 general election.

Together they have performed the most enduring political double act to have shared a Nobel peace prize. But history is rarely kind to politicians who outstay their achievements, and for both men nothing they can do in future will rival what is past. The issue for South Africa is whether their political achievements can survive without them, and, more important, whether they can deliver the sustainable democracy not achieved elsewhere in Africa.

It was always going to be much tougher for Mr de Klerk to bequeath a party with a future. Unless the ANC was seen to have failed dismally on a range of issues it was always likely to be awarded a decade of power, probably more. For Mr de Klerk, however, the challenge of making the party that invented apartheid attractive to black voters was more complex, if not impossible.

Under the terms of the constitutional agreement reached before the 1994 general election, any party that gained more than 10 per cent of the vote was given the right to participate in government. The sight of Mr de Klerk taking his place as deputy president, and six National party ministers taking their cabinet seats alongside the ANC and mainly Zulu Inkatha Freedom party, was supposed to reassure domestic and international opinion of the political commitment to a smooth transition.

The tactic succeeded, but after two years Mr de Klerk had enough. His relations with Mr Mandela had soured, the National party was increasingly frustrated at its inability to influence government policy, and it was shackled in opposition by its presence in cabinet. "The ANC is acting more and more as if it no longer needs multi-party government," complained Mr de Klerk. "But in opposition I will now have a freedom that I have never enjoyed before in my political career."

However, Mr Mandela was happy to see the back of the Nationalists, and the freedom to oppose was found to count for little in an ANC-dominated parliament. The marginalisation of the National party seemed bound to continue unless Mr de Klerk could deliver the "peaceful leader" he promised in 1994 as part of a new spiritual trek towards an unknown political destination. As Mr de Klerk observed: "The simple truth is that only the successful bringing together and mobilisation of South Africans on an unprecedented scale,

across language and colour lines, will be able to ensure true multi-party democracy."

The man he charged with the task was Roelf Meyer, who played a central role in negotiating the political transition and the new constitution adopted last year. Mr Meyer proved, however, too enthusiastic in his quest to reshape South African politics for the majority of National party members. He even suggested the ANC could only be successfully challenged by a party with a black leader. So Mr Meyer had to be reined in. He was, and he quit the party leaving Mr de Klerk's 15-month efforts to reform it in tatters.

Three months later Mr de Klerk is also on his way, citing his desire to free the National party from the perception that it was still linked to a guilt-ridden past. "With my retirement I wish to open a door for the National party to provide further proof of its dynamic break with the past," he said this week. But whether the National party wishes to walk through that door and continue its spiritual trek, remains open to doubt and is unlikely to be decided by the contest to replace Mr de Klerk.

The strongest support for that view came with the decision by Herman Kriel, the premier of the Western Cape province, and favourite to succeed Mr de Klerk, not to contest the leadership. Mr Kriel said that, because he came from the same generation as Mr de Klerk, it would not be right for him to be elected leader. Other party members say he was unwilling to trade the party leadership for the premiership of the Western Cape, which he would

have been forced to do. The Western Cape is the only province controlled by the Nationalists and therefore its most important power base. "Herman can't do it. He does not need to be leader," said a party member.

If that assessment by the right wing of the party proves correct, the task of the new leader, as defined by Mr de Klerk, would appear hopeless. Certainly Mr Meyer believes that to be the case. He said the party was doomed to an essentially provincial role, because of Mr Kriel's narrow ambitions. Others, including the flamboyant Pik Botha, the former foreign minister, believe the party can break from its past and should reverse Mr de Klerk's decision and rejoin the government of national unity. But apart from angering the ANC, which would have to sack ministers to make space for the Nationalists' return, it is not apparent how government membership would boost the Nationalist cause, especially as the power sharing deal elapses after the 1999 election.

It is tempting to conclude that while the National party works through this conflict within its ranks, it is more likely events elsewhere will determine whether an electable alternative to the ANC will ever emerge. The two key developments will be the efforts by Mr Meyer and Benji Holomisa, a former ANC executive member, to establish a new party, and the ideological differences within the ANC itself.

Mr Meyer has carried with him several dozen former National party members. By the end of next month he and Mr Holomisa,

who was the military leader of the Transkei homeland, have promised to explain what unites them, other than opposition to their former parties.

Mr Holomisa was sacked by the ANC last year for indiscipline after he accused senior party members of taking money from a hotel magnate. Beloved by the youthful and populist wing of the party, he has yet to demonstrate whether he has the intellectual and ideological appeal to draw voters away from the ANC, while developing a platform which can be supported by Mr Meyer and his friends. And even if the two men make progress, they still need to attract the financial backers that will allow their message to be heard.

What would inspire them most would be evidence that the ANC monolith was beginning to fray at the edges, offering some prospect of an eventual split. However, Mr Mandela's departure appears to give them little hope.

The succession is in place, and in Thabo Mbeki the ANC has a president-in-waiting every bit as committed as Mr Mandela to maintaining the broad unity of the organisation. Mr Mbeki is fond of saying the ANC alliance with the Congress of South African Trade Unions (Cosatu) and the Communist party will survive for so long as the legacy of apartheid persists. And Cosatu and the Communists are fully aware that their capacity to influence policy, which they do with some success, depends on remaining within the alliance.

The mutual dependence has

been reinforced this week with further evidence of the ANC's organisational problems. While union membership in South Africa is bucking the world trend and increasing, the ANC is losing members. It is also in financial trouble and last week said it was sacking 163 of its 560 staff and selling its headquarters in Johannesburg as part of a drive to cut expenditure by 50 per cent.

The ANC's financial plight, caused mainly by the drying up of gifts from abroad, means union structures will carry an increased responsibility for marshalling ANC support in the run-up to the April 1999 elections. Given the unions' opposition to parts of the government's economic strategy, and their determination to see more favourable labour legislation through parliament, some price for Cosatu's electoral efforts seems bound to be exacted. However, it will be a negotiated deal, not an issue that will in the next two years provoke a rupture.

This will disappoint both the opposition and those who view South Africa's political stability in terms of developing an alternative to the ANC. There is no doubt a viable opposition helps create a vibrant democracy, but single party dominance may not be the threat it once was, or party leaders the dominant figures they once were. As the ANC has discovered in the past two years, the disciplines of the global economy are a far more effective deterrent to waste and fiscal profligacy than any opposition party. Whenever the ANC strays, the rand suffers, and with it much of what the party wishes to achieve.

OBSERVER

Meier to the rescue

Has Heinz Meier, redoubtable Swiss pharmaceutical group Roche, found a new role in life? Meier, 67, manages Roche's cash pile and in the first six months of this year his astute investments have generated six earnings percentages, outstripping the profits growth of Roche's core pharmaceutical business.

Heinz, the rumour mills are buzzing in Zurich now he's taken a seat on the board of IHC Holding, a little-known investment company which oversees the family fortune of Dieter Bührle, 76, and his sister Hortense Ande-Bührle, 71, she's the daughter of the founder of Oerlikon Bührle, which makes everything from anti-aircraft guns to Bally luxury shoes.

Meier is saying nothing about his new job but it looks like he's been brought in to help see off the vultures hovering around one of the juiciest break-up stories in Switzerland. The Bührles own 31 per cent of OB and, until recently, could count on the support of August von Finck, a wealthy German armaments who bought a 10 per cent stake in the early 1990s. However, von Finck has sold most of his shares amid rumours he no longer sees eye to eye with

the Bührles. "Someone has been buying a lot of OB shares recently and it could be Martin Ebner, Switzerland's best known corporate predator. If so, Meier's appointment makes sense. Ebner's Pharma Vision is Roche's biggest shareholder.

Great Gatesby

Some time in the next few weeks, the richest man in America will move into his glitzy-packed \$60m Lake Washington mansion. After a seven-year building programme - the budget started at around \$10m - the house will soon be home to Gates, his wife Melinda and young daughter Jennifer. There's a dining room for 100 guests, a swimming pool with underwater music and a private theatre. But the centrepiece must be the domed library, in which rest four rare copies of F. Scott Fitzgerald's classic *The Great Gatsby*.

The novel is one of Gates' favourites, so perhaps it's not entirely coincidental that he's settled for a mansion with lawns running down to a picturesque lake edged with twinkling lights. And guess what? According to the Washington Post, he's having inscribed around the base of the dome words from the last page of Fitzgerald's work: "He had come a long way to this

blue lawn and his dream must have seemed so close that he could hardly fail to grasp it. Gates, of course, is already one up on Gatsby. He got the girl."

Mir democracy

Astronaut David Wolf will be circling the world every 90 minutes come this November but it will take more than that to stop him voting in Houston's local elections.

Wolf will become the first inter-stellar voter when he exercises his civic duty hundreds of miles above terra firma in three months' time. Whatever problems the Mir space station may have, NASA and Texas election officials have created a computer programme allowing space travellers to cast votes via encrypted e-mail from their onboard laptops.

The clever laptops feature a "Vote" icon, enabling them to cast their ballots to the tune of John Philip Sousa's "Stars and Stripes Forever." The idea could catch on, given the widespread desire to get as far away as possible from politicians when an election's on.

Border line

German digital pay-TV network DF-1 is tonight hosting a regal bash at the Crown

Prince's Palace in Berlin. But though an evening of "media wonder" and entertainment for all is promised, it might prove a bit hard to keep up the spirits.

The problem is that, as part of the settlement between Kirch Group - DF-1's parent - and CLT-Ufa over the future development of digital pay-TV in Germany, the network is being effectively wound up to be merged with rival Premiere.

The weekend merger announcement was immersed in the sort of symbolism TV types love so much. Ferdinand Kaysers, Premiere's chief executive, waxed all lyrical over the choice of Checkpoint Charlie as the location chosen for the momentous announcement. Here, once-bitter enemies stood face to face but now, thanks to a swanky new office development, people can establish a meeting of minds.

Gnome security

Help is at hand for the good people of France and Italy, hit by a wave of gnome kidnaps which is blighting their gardens. Anonymous members of the newly-formed Friends of Rubini - one of the most popular plaster characters - are striking back. They are secretly but securely cementing the little creatures to the spot where they stand.

Financial Times

100 years ago

Portuguese Foolishness
There is a certain short passage in the report of the Portuguese Finance Minister that is worth quoting as an instance of the exceedingly wrong-headed view which a foreign statesman of some ability can take of his country's obligations. After confessing that Portugal finds herself in a sad situation, Senhor Garcia remarks: "Justice demands that an investigation be made as to whether the creditors themselves have not contributed powerfully thereto, exacting from us, on the loans they granted, a much higher rate of interest than that which at the epochs of such loans the Funds of the nation of the first class paid, and therefore out of proportion with the resources of the country which is much poorer than those referred to." That is putting the boot on the wrong leg indeed.

50 years ago

French Reprisals
Although no official ban on British films will be imposed by the French government, some restrictions are being considered, the Ministry of National Economy announced. It admitted that restrictions would be in reprisal for Britain's new 75 per cent tax on foreign film earnings.

Malaysian PM attacks IMF and currency speculators

By James Kynge in Kuala Lumpur and John Riddling in Hong Kong

Dr Mahathir Mohamad, Malaysia's prime minister, launched an angry attack on the International Monetary Fund at the weekend in a move being seen as likely further to destabilise south-east Asia's troubled financial markets.

He also renewed his onslaught on financial speculators, likening the borderless world of business to a "jungle of ferocious beasts".

His remarks, coupled with the imposition of currency controls in Indonesia at the weekend, were expected to contribute to selling pressure on regional currency and stock markets this week.

Further selling was expected in Hong Kong today following last week's sharp falls and a decline in Hong Kong shares

Asian markets could face increased selling pressure

trading in London on Friday. A crisis of confidence in Malaysia's financial policy-making has become a source of regional instability.

Economists had been hoping that Dr Mahathir would drop his tirades against foreign speculators and outline new policies to address the country's trade deficit and other fundamental economic ills.

But he lambasted the IMF after a reported suggestion that Malaysia would do well to scale back its more ambitious infrastructure projects.

"The IMF is only interested in saying 'I told you so'," he said. "Even if they have to subvert our economy, they will do so just to prove that they are right."

He urged Malaysians not to cower from the "ferocious beasts" that roam in world business. "If we cannot break their horns, we will break their ears," he said.

Such strong language, coming after the sudden imposition of controls on financial markets, has unnerved investors in Malaysia.

One foreign economist in Kuala Lumpur said: "I am afraid the truth is that railing against foreigners is no way to win back their trust or investment."

Malaysia's markets reopen on Tuesday after a holiday. Economists are also pessimistic over a move by Indonesia at the weekend to curb foreign currency speculation by for-

eigners. The Indonesian central bank ruled that forward foreign exchange selling against the rupiah by domestic banks to foreign customers would be capped at \$5m worth of rupiah per customer.

Similar controls imposed by Malaysia and Thailand had a negative effect on local stock markets and failed to halt the fall of the ringgit or baht.

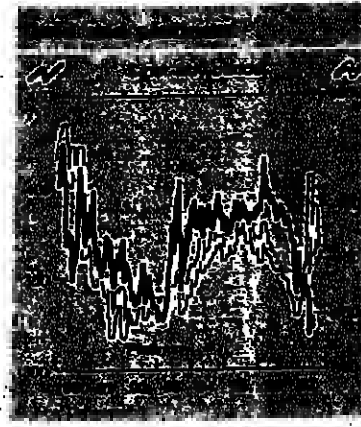
In Hong Kong, selling pressure was expected to continue today, following Friday's fall on Wall Street and a further decline in Hong Kong shares traded in London after the close of the Hong Kong market.

The Hang Seng London Reference Index fell by almost 2 per cent on Friday, following the two-day fall of 9 per cent in the territory.

Asia-Pacific round-up, Page 3
S Korean bond issue, Page 17
Markets, Page 21

THE LEX COLUMN

Buy-back kick-backs



With the stock market at its current level, should US companies still be buying their own shares? To ask the question does not mean buy-backs' fundamental attractions are in doubt. Companies should return excess cash to shareholders rather than sitting on it or frittering it away. Replacing equity with debt creates real value because interest payments can be deducted against tax. And leverage is a useful discipline on management.

Still, what started as a good idea 15 years ago has been copied so widely and unthinkingly that a few questions are worth asking. Whereas stock repurchases have only recently gained popularity in the UK, and are largely unknown (or illegal) in continental Europe and Japan, they have become an American institution. Last year, US companies bought back a record \$116bn of their shares - nearly 20 per cent of their declared earnings. So far in 1997, more than 800 companies have announced repurchases worth \$126bn.

Much of this is playing to the Wall Street gallery, which likes the boost to earnings per share of buying back equity with cheap debt, as well as the apparent signal that management considers its stock undervalued. For executives, often incentivised on the basis of earnings growth, a buy-back can bring very tangible gains. Meanwhile, on the scale they are practised in the US, buy-backs have undoubtedly helped fuel the bull market by reducing the supply of equity.

But with valuations so high, it is questionable whether buying back shares still makes automatic economic sense. According to statistics from the Federal Reserve, the US market is now trading at a 25 per cent premium to its current cost replacement value - far higher, even, than the 110 per cent or so it reached in the bull market of the mid-1980s. Exceptions exist; for an oil explorer it is probably still cheaper to buy a competitor or its own shares than to drill another well. But for many companies, buy-backs no longer even boost earnings per share, much less produce an acceptable return on capital.

So why do companies persist with repurchases? One reason is that the other way of handing back cash, through dividends, carries substantial tax penalties. While the US capital gains tax rate has recently been cut to 20 per cent for investments held for longer than 18 months, income tax on dividends ranges

from 38 per cent to 51 per cent. With two-thirds of the market in the hands of private investors, either directly or through mutual funds, this tax discrepancy is a much more important consideration than in the UK.

There is also, however, a less defensible reason: many companies are buying in shares in order to reissue them, at a much lower price, as stock options to staff. While incentivising the workforce is all very well, this can be a blatant transfer of value from existing shareholders to employees. At Intel and Microsoft, for example, the number of outstanding shares has not fallen, as huge repurchase programmes have been matched by similarly huge option grants. With many persuasive factors in their favour, buy-backs will remain popular. But the next time a company announces one, shareholders should at least check its motives.

Dutch forecasts

KPN expects "satisfactory" growth in full-year net profit. ING forecasts a "marked" increase in 1997 earnings per share. Both adjectives are translations from the word *duidelijk*, understood by Dutch investors to mean a rise of between 7 and 12 per cent. This is one level in the Scale of Mock, concocted by a PR man 13 years ago and still adhered to by some of the Netherlands' largest quoted companies. But during that time many have gained listings on exchanges abroad, bringing on board international shareholders for whom such terms carry less numeric resonance than for their Dutch brethren.

Stock exchange authorities smile on the scale as a benign kind of English-style understatement. Yet when companies' official transla-

tions of the same words cannot even agree, one enters the land of double Dutch. Amsterdam, of course, has no monopoly on obfuscation; usage, and a scale is better than phrases such as "above budget", when shareholders remain clueless about what the budget was. Still, it does not have to be this way. Aegon is projecting a more comprehensible 26 per cent share price improvement this year, rather than the "strong" growth that for Mock would mean a gain in the 30-50 per cent range.

The insurer's precision is laudable; that a corporate governance commission headed by its former chairman failed this year to question the tradition is regrettable. If efforts are being made to promote transparency, a scale comprising a string of wessel words makes a mockery of them.

Gold/platinum

What are investors to make of the torrid goings on in the precious metals markets? Historically, platinum has enjoyed an average \$300/oz premium over gold, and the two metals have traded in tandem. But that relationship is looking very ragged right now. The premium was only \$2 at the turn of the year, then climbed to \$150, and now stands around \$70. Normally it reflects developments in the platinum market: the spike earlier this year reflected lack of supply from Russia. But this time it was accentuated by the precipitous drop in the gold price.

The two markets are very different. Platinum is not faced with a large central bank supply overhang, is thinner and more volatile, and has fewer producers and greater industrial uptake. There is no particular reason why the prices should trade in tandem. But even if the relationship persists it is likely, at least in the short term, that platinum will enjoy a larger premium. Russian metal may be trickling back into the market, but not so much as to jeopardise a price above \$400/oz. As for gold, a further drop may be unlikely, but nor is any recovery much above \$340/oz. Accordingly, platinum shares look the better bet. The prices of large producers like Amplats and Impels are discounting a much weaker metal price. If the firmer price holds, company earnings should surprise on the upside. And even if the gold price does recover, it will probably pull platinum with it.

Olivetti may sell Olsy unit to Wang

Continued from Page 1

as the most likely candidate to buy a stake in Olsy, according to sources close to Olivetti.

Olsy's attraction for Wang is the Italian company's European activities, which would give Wang an opportunity to expand in Europe.

If Mr Colaninno secured a deal with Wang by the end of this year, he would have put into place a key component in his recovery strategy.

Meanwhile, a shareholders' meeting today of Infostrada, Olivetti's fixed-line telecommunication subsidiary, is expected to clear the way for France Telecom to become the Italian company's strategic partner in the fixed-line telecommunication sector.

Until now, Bell Atlantic was Olivetti's partner in Infostrada but the US telecommunications group appears poised to give up its 33 per cent stake in the Olivetti subsidiary, making way for the French company to acquire a 49 per cent interest for about £150bn.

The recent intensification of manoeuvres around Olivetti reflect the urgent need to find lasting solutions to ensure the company's longer-term viability. The Italian group is expected this month to report first-half 1997 losses of about £260bn. The company's debts at the end of June totalled £2,500bn.

These concerns were heightened by Olivetti's decision last week to delay payment of its 11,000 Italian employees until October 5. Olivetti's unions, worried about possible liquidation, are threatening to strike later this month.

France considers tax breaks to boost job creation

By Andrew Jack in La Rochelle

France is likely next year to introduce tax deductions for companies that hire additional employees, a senior government minister said at the weekend.

Speaking at the summer gathering of the ruling Socialist party in the western port of La Rochelle, Dominique Strauss-Kahn, economics, finance and industry minister, said "there could well be" such an initiative in the 1998 budget, details of which are due to be made public later this month.

His comments came as a range of other ministers and senior Socialist party figures, including Laurent Fabius, leader of the National Assembly, stressed that their top priority in government was employment - against a backdrop of near record joblessness.

Another senior government official indicated that the move, which was still under discussion, could take the form of a partial exemption from additional corporation taxes announced in July in the supplementary 1997 budget for businesses generating new jobs. The new taxes would increase tax on profits to 41.6 per cent.

Mr Strauss-Kahn, whose remarks came in response to a businessman and Socialist sympathiser at a debate on Saturday, stressed that the initiative would be complicated to implement. During

the same presentation, Martine Aubry, minister of employment and solidarity, stressed her continuing commitment to the Socialists' election pledge to reduce the length of the working week from 39 hours to 35 hours.

She has denied reports that she would introduce the initiative by 2000, and said that it should be in place "rapidly but without precipitation".

She added that the government was already hiring additional labour inspectors and would clamp down on existing abuses of the current weekly limit.

Meanwhile, the French car and road haulage industries warned of the consequences of rumoured increases in the tax on diesel fuel, partly designed as an anti-pollution initiative. Ministers stressed that no decision had yet been taken, and any modification was likely to take place slowly.

Concluding the Socialists' congress yesterday, Lionel Jospin, the prime minister, called for a "rebalancing" of the European Union, with greater co-ordination between economic policies of its leading members. He said there was a need to place greater emphasis on employment, and to create in Europe "a real industrial power".

He defended the government's stance on reform to the country's tightened immigration laws, which, he said, met in all key elements the Socialists' campaign pledge to overturn legislation introduced by the previous government.

Memorial to princess

Continued from Page 1

all day. TF1 and France 2, the TV leading channels, devoted their evening scheduling to programmes on the princess, and even M6, the music channel proud of its reputation for iconoclastic programming, covered the events in detail.

Grief was mixed with anger at the paparazzi, who were rapidly at the centre of debate during the day on the causes of the accident.

"It's crazy. The photographers didn't have to pursue her. They knew where she was going and they could have caught up with her there. It was a hunt. She was forced to try to escape from them," said one taxi driver.

Waigel 'to fight on'

Continued from Page 1

catching up with Mr Kohl as the man voters would like as chancellor, with 43 per cent support against 44 per cent for Mr Kohl. The chancellor's position would be worse if the opposition chose Gerhard Schröder, SPD prime minister of Lower Saxony, as its candidate: 58 per cent favoured Mr Schröder against 32 per cent for Mr Kohl.

In yesterday's interview with the TV programme *Born Debat*, Mr Waigel said the first priority of his tax reform initiative would be to reduce the top rates of corporation tax and income tax for businesses to 40 per cent from 45 per cent and 47 per cent respectively. The government would also seek some reduction in the 25.9 per cent bottom tax rate.

FT WEATHER GUIDE

Europe today

Most of the Mediterranean will be hot and sunny, with cooling breezes on coasts and islands, especially during the afternoon. Central and northern parts of Spain will have widespread heavy showers and thunderstorms. Thunder showers are likely late in the day along the east coast of Spain. There will be rain and thunder in France, the Benelux and southern Norway, with thundery showers in the Balkans, Ukraine, Belarus and Poland. Central Europe and Germany will have a fine and very warm day, and there should also be some sunshine in Finland, the Baltic republics and Russia.

Five-day forecast

Thundery conditions will continue in the western Mediterranean and central Europe until midweek, but the eastern Mediterranean and the Balkans should stay fine and warm, and it should stay dry in Russia, Finland and the Baltic. North-west Europe will be changeable and windy, with showers at times.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	Sun 30	Madrid	Fair 28	London	Fair 21	Paris	Fair 21
Algiers	Sun 30	Manchester	Fair 20	Prague	Fair 20	Rangoon	Cloudy 30
Amsterdam	Fair 23	Moscow	Fair 20	Singapore	Fair 32	Seoul	Fair 30
Athens	Fair 28	Stockholm	Fair 18	Sydney	Shower 29	Singapore	Fair 32
Atlanta	Thunder 32	Taipei	Fair 25	Tokyo	Fair 28	Stockholm	Shower 23
B. Aires	Fair 17	Tbilisi	Fair 25	Toronto	Fair 21	Sydney	Shower 29
B. Ham	Fair 20	Ulaanbaatar	Fair 20	Vancouver	Fair 21	Sydney	Shower 29
Bangkok	Cloudy 34	Yokohama	Fair 25	Wellington	Fair 12	Sydney	Shower 29
Barcelona	Thunder 28	Zurich	Fair 25	Winnipeg	Fair 12	Sydney	Shower 29

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FINANCIAL TIMES COMPANIES & MARKETS

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Week 36



INSIDE

Cellular deal for Scottish Telecom

Scottish Telecom, the telecoms firm owned by Scottish Power, is expected today to announce the name of its partner in a cellular phone venture, the latest in a series of canny deals and strategic alliances. Page 18

Brussels opens merger hearings

Formal hearings open at the European Commission this week into the competition implications of the £24bn (\$39bn) merger of Guinness and Grand Metropolitan. Bernard Arnault, chairman of LVMH, the French luxury goods group, will renew his attempts to have the deal restructured to include Moët Hennessy, his drinks subsidiary. Page 18

GLOBAL INVESTOR

Tough times for fund managers. Times are hard for active managers. In the US, professional investors have struggled to beat the S&P 500 as a handful of stocks - "the new Nifty Fifty" - have driven the market higher. Page 21

COMPANY RESULTS

French oil groups in the swim. Elf Aquitaine and Total, the French oil companies, are both expected to report sharply higher profits for the first half. A rise in the dollar against the franc has offset the impact of tumbling crude oil prices. Page 21

MARKETS THIS WEEK

New York. No trading today because of Labour Day, but important statistics due later this week should add to the recent volatility.

Tokyo. Signs that Asian markets may continue their slide may force economists to revise their views on Japan.

London. The performance of world stock markets will again have a strong influence on the direction of the UK market.

Frankfurt. With uncertainty over interest rates and anxiety about Wall Street's direction, equities are likely to continue their timid performance.

Paris. Investors will be looking for some strong company profits as the half-yearly reporting season gets under way.

CURRENCIES

Testing time for the yen. Is Tokyo trying to keep the dollar below ¥120? Each time the dollar has approached ¥120 recently, the market feared a barrage of intervention from Tokyo. But on Friday the dollar climbed and held above ¥120. Page 22

EMERGING MARKETS

Hong Kong rides the storm. The financial crisis in south-east Asia has swept into Hong Kong. But, unlike some Asian stock markets, Hong Kong is supported by strong fundamentals. Page 23

COMMODITIES

Uranium institute has eye on prices. The hot topic at this week's annual symposium of the Uranium Institute in London will be the future of uranium prices. This time last year, hopes were that uranium was improving. At \$15.50 a pound it was still well short of its 1978 peak of \$43 a pound, but it was on the up. Today the price has fallen to \$10-\$11 a pound. Page 23

FT GUIDE TO THE WEEK

— full listings, Page 34



THERE ARE ABOUT 10m snorers in the UK and this week has been proclaimed National No Snoring Week by London's Harley Medical Group to highlight the effects of snoring on relationships and to offer snorers and long-suffering partners a solution.

MANDELA IN SWITZERLAND
President Nelson Mandela of South Africa is due to visit Switzerland on Wednesday, departing a few hours before the verdict in Lausanne on South Africa's bid to host the Olympics in 2004.

SUMO SUMMIT
The annual 10-day autumn grand sumo tournament opens in Tokyo on Sunday.

Companies in this issue

BIS	17	Lloyds TSB	8
BSkyB	16	Morgan Grenfell AM	8
BTP	18	NationsBank	17
Barnett Banks	17	Norfolk	8
Belgacom	19	Nottingham Forest	18
Bell Atlantic	16	Olivetti	1
Bezeq	19	Oley	1
C&W	17	Optus	17
CWC	18	Other Controls	8
Chase Manhattan	17	Ricci	8
Chemical Banking	17	SAT-1	18
Endesa	17	Scottish Telecom	18
Enersis	17	Strix	8
First Interstate	17	Swiss Bank Corp	8
GrandMet	18	TNT	19
Guinness	18	Tele Denmark	19
KPN	19	Teletra	17
Kia	17	Wang Laboratories	1
Korean Dev Bank	17	Wells Fargo	17

Market Statistics

Base lending rates	25	London recent issues	25
Company meetings	24	London share services	25,27
Dividend payments	24	Managed funds services	25-30
FTSE-A World Index	21	Money markets	25
FTSE-100 Index	22	New int'l bond issues	25
FT 1000 Index	22	World stock market indices	31
Foreign exchanges	25		

S Korea plans big bond issue

By Edward Luce in London

Offering will test international market

South Korea is to test global market sentiment with its first large-scale international bond offering since the country hit economic problems last year.

The \$750m to \$1bn bond, which will be issued by the Korean Development Bank, the main international borrowing arm of the South Korean government, is expected to contain "disaster insurance" clauses to persuade nervous investors to buy the paper.

South Korea's credit rating has been placed on "negative outlook" by both Moody's

Investors Service and Standard & Poor's, the New York-based credit rating agencies, to reflect growing concern about the country's economic health.

A series of business failures - including, most recently, the collapse of Kia, the country's eighth-largest conglomerate, which has been placed under bankruptcy protection until September 29 - has prompted investors to sell South Korean bonds and equities. Last week, the South Korean Won fell to a

record low of Won904 to the US dollar on continuing worries about South Korea's competitiveness and large current account deficit.

"Given the pessimism of some observers, liquidity in South Korean bonds is at risk," said Darren Sharma, an economist at broker Société Générale in Paris.

Officials at J.P. Morgan and Lehman Brothers, which will jointly underwrite the KDB bond offering, would not con-

firm speculation that the bond would contain "disaster insurance" measures. But investors, who are to be consulted by KDB officials on a roadshow in Europe and the US this week, say they will demand such protection clauses.

These are likely to include "credit sensitive" elements guaranteeing investors a step up in the coupon - or annual interest - paid on the bond should South Korea's credit rating be downgraded. The

bond could also contain a "put option", enabling bondholders to redeem the full cost of their investment before the bond reaches maturity should the KDB be downgraded by the credit rating agencies. The KDB has a rating of A1/AA, which is the same as South Korea's sovereign rating.

Credit sensitive bonds have been pioneered this year by leading Asian borrowers, notably from Thailand and Korea, to give jittery investors protection against a backdrop of deteriorating creditworthiness.

International bonds, Page 23

Syndicated bank loans in record increase

By Edward Luce in London

International syndicated bank lending jumped to a record \$194.5bn in the three months to June on the back of increasingly fierce competition for new lending.

In its quarterly banking report, the Bank for International Settlements said the global syndicated loan market was subject to intensifying competition from new entrants to the market, including mutual funds, investment banks and insurance companies.

That - and the growing participation of many more formerly domestic-based banks in the international syndicated market - had helped increase overall lending volumes, as well as leading to tighter margins on loans. International syndicated lending in the first three months was slightly more than \$122bn.

The report pointed to the growing number of emerging market borrowers able to negotiate water-tight margins on their borrowings. Notable landmarks included loans to Czech and South African banks in the second quarter at a servicing cost of about 0.2 percentage points over Libor (the rate at which banks lend to each other). The same borrowers would probably have paid at least 1 percentage point over Libor for equivalent borrowing only 18 months ago.

"A number of borrowers succeeded in obtaining terms that were considered to have tested the limits of lenders' tolerance," said the BIS. But the report added there was "evidence of growing resistance [by banks] to a further erosion of margins with some banks even refusing to participate in low-return syndications".

Signs of banks' growing intolerance towards such tight market conditions included the increasing deployment of "transferability" clauses in syndicated loans. These enable banks to sell loans to other buyers in the secondary loan markets without the borrower's consent.

Such provisions enhance the liquidity of the loan and enable banks to undertake more profitable management of portfolios.

Banks are also demanding more "ancillary business" as a condition of low-cost loans.

NationsBank's takeover of Barnett sends clear warning to would-be independents

Mergers in US banking sector gather pace

If Barnett Banks ever comes into play," asserted a senior Wall Street investment banker last year, "it will be like letting kids loose in a candy store."

So it has proved. In the rush to build regional and increasingly super-regional banks in the US, Florida-based Barnett had stood blissfully aloof. The leading position in the Sunbelt's most vibrant state and a highly regarded management had enabled it to become one of the 20 biggest banks in the country without the sort of cross-state mergers that have become familiar elsewhere.

Now, one of the most admired US banks has agreed to be acquired. The message this sends to other would-be independents is that the momentum which has built up behind the banking consolidation of the mid-1990s has now reached such a level that virtually no bank can afford to ignore the changes under way.

In the circumstances, the price paid by NationsBank is hardly a surprise. At \$15.5bn, it is the most paid for a bank in the US, topping by more than \$3bn the two giant mergers of 1995 - the New York merger of Chase Manhattan and Chemical Banking and the hostile acquisition of First Interstate by Wells Fargo in California.

The price, paid in NationsBank stock, equates to four times Barnett's book value,

and around 24 times its earnings.

Even after the strong rally in bank stocks over the past two years, the average bank stock trades at more than 10 times earnings per share and twice book value.

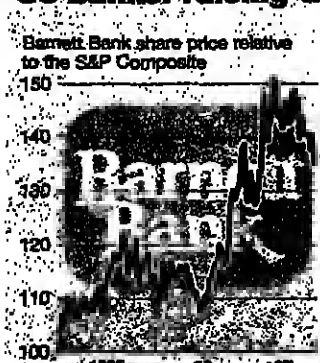
There is a fine irony here. Hugh McColl, the former marine who runs NationsBank, made his name in the late 1980s and early 1990s as a bottom-fisher, buying distressed banks in his native south-east at fire-sale prices. He has now emerged as one of the highest payers in the business.

Mr McColl's apparent conversion speaks volumes about the strategic end-game that is under way among a handful of banks that aspire to national status.

With desirable acquisition targets becoming fewer, no one wants to miss out. The scramble for Barnett is also believed to have involved First Union - although, in the final stages, only San Francisco-based BankAmerica and Banc One of Ohio are thought to have remained in the bidding.

These are two institutions that, like NationsBank, have overt ambitions about developing a national presence. Mr McColl was in a strong position to outbid both. The bank's "very substantial beach-head in Florida" meant that "he can afford to pay the

US banks: raising the stakes



NationsBank

Top ten deals in the history of the US banking industry

Buyer	Seller	Announced	Announced deal value
Wells Fargo & Company	First Interstate Bancorp	Jan 24, 1995	\$12.51bn
Chemical Bank Corp	Chase	Aug 1, 1995	\$11.5bn
NationsBank Corp	Boji's Bancshares	Aug 30, 1995	\$9.75bn
US Bancorp	US Bancorp	Mar 1, 1995	\$7.5bn
Washington Mutual	Great Western Financial Corp	Mar 1, 1995	\$7.01bn
First Union Corp	First Union Corp	Jul 12, 1995	\$5.13bn
First Chicago Corporation	NBD Bancorp	Jul 12, 1995	\$5.13bn
First Interstate Corp	Security Pacific Corporation	Jul 12, 1995	\$4.46bn
NCNB Corporation	C&S/Sovran Corporation	Jul 22, 1995	\$4.46bn

highest price," said Tom Hanley, banking analyst at UBS Securities. By merging its own Florida operations with those of Barnett, NationsBank claims it can slash \$95m of costs a year from the combined group.

However, as the stakes rise the risks of failed mergers are also getting higher. The planned savings are equivalent to around 55 per cent of Barnett's annual costs.

Cuts of that magnitude are far higher than the sort of

savings seen so far from bank acquisitions.

In addition, to meet Florida regulations that limit the market share of any one bank, NationsBank said it would have to shed around \$3.5bn in deposits in the state.

In spite of this, NationsBank predicted on Friday that its earnings per share would be reduced by only 4 per cent in 1998 and would benefit the following year.

To judge by the relative sta-

bility of its share price on Friday, Wall Street is giving Mr McColl the benefit of the doubt.

For NationsBank the acquisition is likely to mark the beginning of a new phase. Provided the merger works, its foothold in the south-east will be unshakable, providing the platform for a move into uncharted territory.

John Authers
Richard Waters

Spanish power group fails to win \$1.5bn Chile stake

By Imogen Mark in Santiago

Endesa, the Spanish power group, has failed to secure in full the \$1.5bn stake it sought in Enersis, the Chilean-based electricity group, to take effective control of the company.

It was aiming to obtain shareholder rights which would have given it almost 30 per cent of Enersis. But when its tender offer closed on Saturday it had acquired rights to only 26 per cent, mainly from worker-shareholders.

This limited the number of seats on the Enersis board Endesa would automatically have been entitled to had it achieved the 29 per cent it was seeking.

The deal was tripped up by institutional shareholders in Lux, one of the five investment

companies, known as the Chispas, which collectively hold the package of shares Enersis was seeking to buy. Their refusal to sell the rights to their 3 per cent stake in Enersis threw some doubt on the final outcome.

The Lux institutional shareholders objected to Endesa's two-tier bid which offered 600 pesos per share to Lux shareholders who were also Enersis employees, but only 490 pesos to other Lux shareholders. They also argued that Lux shares were worth up to 800 pesos.

Endesa now has 10 days in which to decide whether to go ahead on the basis of the 26 per cent it has secured, or to buy another 3 per cent of Enersis shares directly in the market, or whether to back out of

the deal. Purchase of a controlling stake in Enersis was an important element in its sales prospectus for its own forthcoming share offering expected in the next two months.

Sergio Undurraga, a former Enersis director who manages several private investment funds which together are the largest shareholder in Lux, has led the protest of the institutional investors.

He claims to represent more than 50 per cent of the Lux shareholders, who have requested a shareholders' meeting. Their aim is to force a decision to sell Lux's shares in Enersis on the open market. Mr Undurraga says he has had contact with senior Enersis executives to try to seek a solution, but is now waiting on the decision of Endesa.

TV specialist to run Optus

By Alan Cane in London

Cable and Wireless has appointed a specialist in broadcasting to take charge of Optus, its Australian communications subsidiary, the pay-television unit of which heavily lost money last year.

It is the third change of chief executive for Optus in two years and is seen as an attempt to rejuvenate the subsidiary's ailing television arm.

Chris Anderson, currently group chief executive for Television New Zealand, will take up the position on October 1. He succeeds Peter Howell-Davies who has been running the company in a caretaker role since June when Ziggy Switkowski, its former chief executive, took a sabbatical

agreement role at Telstra, Australia's national operator and Optus's chief rival.

Last week, Optus reported a \$411.8m (US\$303m) loss in the year to June 30 against \$80.3m profit the year before, mainly because of a \$423.4m charge against Optus Vision, its pay-TV unit.

C&W says Optus is being given a new and more important role in the company's crucial Asia-Pacific strategy. It will become a regional hub in C&W's global network.

Combining telecoms and television, it is similar in structure to Cable and Wireless Communications, the UK-based group which is at the heart of C&W's strategy.

Mr Anderson is currently a director of Clear Communica-

tions, New Zealand's second telecoms operator, and is well versed in the regulatory and legal barriers that can hinder a new competitor's efforts to take market share from an incumbent.

Mr Howell-Davies, a former head of Mercury in the UK, which has since become a part of C and W Communications, will continue as an executive director of Optus, reporting to Mr Anderson while a number of negotiations are completed. Richard Brown, C&W chief executive, said he had done "an exceptional job".

C&W also announced that Rod Olsen, its deputy chief executive and head of the group's Asia Pacific development board, would be relocating to Sydney next year.

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PARIBAS

COMPANIES AND FINANCE

Football club will complete a restructuring kicked off by £16m cash injection after takeover

Nottingham Forest heads for flotation

By Bertrand Benoit

Nottingham Forest Football Club is to go ahead with seeking a listing on the London Stock Exchange in what is expected to be a £40m flotation, it confirmed yesterday.

The operation, which will be underwritten by HSBC Investment Bank, follows the takeover of the first division club by a consortium of local businessmen last February.

The consortium said then it would be aiming at a flotation within a year.

The group, headed by Nigel Wray, said yesterday it would re-invest proceeds from the flotation in the club, which hopes to achieve promotion in the current season that started on

August 8.

Currently top of the first division, Nottingham Forest was relegated after finishing 20th in the Premier League last season.

It would be the 19th English football club to achieve a stock market listing.

Its flotation will complete a restructuring kicked off by a £16m cash injection after

the takeover in February. "We are very satisfied with the financial situation of the club," said Philip Soar, chief executive of Nottingham Forest. "We have a very good stadium and most of the big investments are behind us".

Nottingham Forest plc has net assets of £4.1m. Its only subsidiary, Nottingham Forest Football Club Limited,

had a turnover of £144m in the 12 months to the end of May.

The news comes at what is expected to be the start of a calmer period for football club shares following turbulent trading last season that left some clubs heavily bruised.

The management of Nottingham Forest seems unfazed by the mixed results

of past flotations. Mr Soar said yesterday the club's past Premier League record would boost investor confidence, although he would not comment on expected revenues this season.

On the club's prospects for regaining Premiership status at the end of the season, Mr Soar said: "We have virtually no chance of going downward."

CWC/BSkyB deal threatens cable movies

By Christopher Price

Plans by the UK cable industry to launch its own movie channel face cancellation following the decision by Cable & Wireless Communications, the largest cable company, to sign an exclusive programme supply contract with the broadcasting group BSkyB.

The agreement between the two groups has prompted a deep split in the cable industry, which has up to now presented a united front in its attempt to persuade BSkyB to allow the cable companies to "unbundle" the broadcaster's package of channels and offer them individually to subscribers.

CWC's decision to break ranks and accept BSkyB's new contract is seen as undermining the ability of the rest of the industry to exert pressure on the broadcaster, and also on moves to establish cable's own programme supply.

Nicholas Mearns-Smith, CWC finance director, said the company now had no interest in originating its own programmes. He added that the new BSkyB contract would contain "limited unbundling" of the broadcaster's channel packages.

This provoked a strong attack from two of the cable companies, which said it would be wrong for BSkyB

to offer different terms of contract and warned they may consult the Office of Fair Trading.

The OFT is already investigating the issue of programme packages and unbundling.

CWC's decision to abandon any interests in establishing a production arm to the cable industry will come as a blow to those who believed the move would have been a crucial bargaining tool in with BSkyB.

In particular, CWC's decision will seriously undermine the cable industry's move to create its own film channel.

Telewest, the second biggest cable group, has been spearheading attempts to negotiate a deal with Hollywood studios. However, the CWC move will remove the richest and biggest cable group from the consortium.

The CWC/BSkyB agreement will also cover the launch of a digital service next year. This will introduce up to 200 channels, many of which have been earmarked for pay-per-view events such as movies and sport.

Tension between the industry and BSkyB was evident last week when Telewest and other cable groups indicated they would be dropping Sky News in favour of the BBC's new 24-hour news service.



Bernard Arnault: attempting to have the deal restructured

Hearings on GMG deal

By Michael Smith in Brussels and John Willman

Formal hearings open at the European Commission this week into the competition implications of the £3.4bn (\$3.8bn) merger of Guinness and Grand Metropolitan.

The two companies are also involved in a similar inquiry in the US, led by the Federal Trade Commission.

The authorities will be studying the market power of the merged company, to be called GMG Brands, which would have twice the turnover of Seagram of Canada and Allied Domecq of the UK, its largest competitors. It would account for 36 per cent of the global scotch whisky market, 37 per cent in vodka and 35 per cent in gin, according to Impact Databank.

The four-month EU inquiry was launched on June 30 after a month-long preliminary investigation highlighted what it considered to be "significant overlaps" between the two companies.

On Thursday and Friday executives from the two companies will give their response in Brussels to Commission concerns outlined in a so-called "statement of objections" sent to the companies on August 21.

The Commission identified four main areas of concern: "The combined group would have more than 40 per cent of the whisky market in certain European markets - in particular Spain and Greece. Its share of the whisky distilleries in Scotland might enable it to influence the market position and pricing

strategies of competitors. "It would have significant market share of gin and vodka in some countries."

Its bargaining clout with customers would be greatly increased through ownership of such a large portfolio of "must stock" brands including Johnny Walker, Bell's and J&B scotch whisky, Gordon's gin and Smirnoff vodka.

Mergers which are the subject of such in-depth investigations often require changes. For example, the Commission can seek divestment of businesses by the companies.

Neither company is sending its top executives to this week's hearings, which will be held by competition officials in private. The Commission will also seek the views of competitors before

it reaches its conclusions, due by October 21.

The US Federal Trade Commission is also expected to reach its conclusions at around the same time. The merger will give GMG 25.4 per cent of the US spirits market, and about 80 per cent of US standard scotch sales, and there is speculation that GMG brands will be required to sell off at least one scotch brand.

Meanwhile, Bernard Arnault, chairman of LVMH, the French luxury goods group, will renew his attempts to have the deal restructured to include Moët Hennessy, his drinks subsidiary. During August, further dealing in the two companies' shares left him with 11.47 per cent of Guinness shares and 11.1 per cent of GrandMet.

There's more to it than playing the tartan card

Alan Cane assesses the rise of Scottish Telecom as the group unveils its latest strategic alliance

One could argue that any telecoms company with "Scottish" in its title could make money marketing cans joined by pieces of string north of the Border, but playing the tartan card is not that simple.

Rod Matthews, Scottish Telecom's chief executive, points out that securing value for money is at least as important a trait among his clients.

Hence the company, the wholly-owned telecommunications arm of Scottish Power, is expected today to announce the name of its partner in a joint venture in cellular phones which should strengthen its credentials as an integrated telecoms operator, offering a full fixed and mobile service in Scotland.

It will be the latest in a series of canny deals and strategic alliances which have seen the Glasgow-based group break even at the post-depreciation level after

only two years in business.

It first offered services on November 22 1994, and, in the few months to March 31 1995, it turned over £2m. In the following year it turned over £16.1m and lost £2.4m after depreciation. Of the £16.1m, £10m was accounted for by services to the ScottishPower group.

In its second full year it broke even post-depreciation, turning over £54m of which £10m could be attributed to the parent group.

This financial year, analysts anticipate a turnover of £100m with profits of about £5m. New operators usually run at losses for between four and six years before creeping into profit, because of the capital cost of network construction and expense of winning customers from the incumbent operator.

ST has bucked this trend

by adopting a broad service approach to a geographically and culturally distinct market. "We aim to get a margin on any product we put out," says Mr Matthews.

His published ambition to secure 10 per cent of the £2bn Scottish market by 2000 - the company currently has 4.7 per cent - seems eminently attainable.

While accepting the strength of ST's local branding - its freephone, local and premium rate services all have nationalistic names like "Scottfree", "Local Scot", and "ScotPlus" - there is more to it than simply playing the tartan card, he says.

The list of more than 250 blue chip customers includes three Scottish clearing banks, four Scottish life assurance companies, IBM, Microsoft, the Inland Revenue

and 14 Scottish universities.

ST has several features in common with Energis, the telecoms subsidiary of the National Grid. Both have created a low cost, high quality trunk network featuring the most advanced transmission technology by winding fibre optic cable around their parent companies' power cables. ST now has 1600 kilometres of cable.

Mr Matthews rejects the argument that transmission has become a low-margin commodity business: "If you sweat the assets reasonably, you can make good money out of transmission," he says.

A key alliance, however, is the group's capacity-sharing agreement with Energis. Essentially, the two companies operate as if each owned the other's network. The agreement gives ST

access to Energis' network at an advantageous and competitive rate. The cost to ST of London-bound traffic is therefore comparatively low. It is also able to carry Scotland-bound traffic from London-based operators such as Cok and MFS back over the same network at a profit.

A second important agreement is with Ionica, the Cambridge-based UK pioneer of fixed radio access.

Mr Matthews paid Ionica £22m for the rights to its technology, for its licence to use the technology in Scotland and for the necessary radio spectrum.

ST is using the Ionica technology to overcome the problem of British Telecom's "local loop", the final connection between the exchange and the home or office.

In conventional mobile telephony, however, ST is a service provider for Voda-

fone, the largest UK operator, selling airtime to some 30,000 customers in Scotland and managing service and billing. It also provides Vodafone with fixed transmission capacity.

In addition to fixed, mobile and radio telephony, ST offers a range of premium rate services such as "Weather Call", "Race Call" and "Marine Call", all of which create traffic across the network. A data service, Scotland On Line, is operated in conjunction with the publisher DC Thompson.

The range of activities in which ST is involved makes for complex management in a company of only 1200 people. Mr Matthews' chief concern is to be able to attract and retain the right calibre.

He remains open minded about the possibility of flotation or a strategic alliance with an overseas company, aware that ST could be seen as a "Trojan Horse" for the UK and Europe.

BTP pays £33m for Yorkshire

By Emilio Terrazano

Reflecting its appetite for bolt-on purchases, BTP, the UK speciality chemicals group, is to pay £33m (\$33.8m) for the leather and speciality chemicals operations of Yorkshire Chemicals Group, the textile dyes and chemical company.

The move follows BTP's £44.4m purchase earlier this year of PCR, a fine chemicals manufacturer based in the US.

Yorkshire's leather and speciality chemicals division made £5.7m in operating profits last year and has net assets of £24.8m. The deal is expected to be earnings enhancing in the first year of ownership.

BTP is likely to pay cash

for the business, which complements Hodgson Chemicals, its performance chemicals subsidiary. BTP is expected to combine the two operations, both based in the UK.

The move is part of a continuing reorganisation at Yorkshire, formerly known as Yorkshire Chemicals.

Stuart Wallis, who joined the company last year as chairman from Fisons, has been seeking to sell its peripheral businesses to allow it to focus on its core textile dyes operations.

He has also indicated his interest in selling the company's Australian inks and pigment dispersion businesses. Yorkshire is also looking to form strategic alliances with other partners.

Fortis AMEU

Interim dividend 1997

With the approval of the Supervisory Board, it has been decided to set an interim dividend for 1997 of NLG 0.80 per ordinary share with a nominal value of NLG 1.00. This sum will be payable as of 29 September 1997 after deduction of 25% dividend withholding tax.

The interim dividend will be available in the form of a dividend with a stock option. Shareholders and holders of depositary receipts for shares may take the interim dividend either wholly in cash or wholly in the form of shares (or depositary receipts for shares, as appropriate), with the shares being charged to the tax-free share premium reserve or to the profit on the financial year. As in previous years, given Fortis AMEU's strong financial position, we would emphasise cash dividend.

Choice of dividend

Shareholders and holders of depositary receipts for shares can make their choice known for cash, shares or depositary receipts for shares from 1 September 1997 onwards but no later than the close of the AEX Stock Exchange (Amsterdam) on 24 September 1997. On 24 September 1997, after the close of the AEX Stock Exchange, we will announce how many dividend entitlements give an entitlement to one new share. This will be determined on the basis of the closing rate for the depositary receipts for shares Fortis AMEU on the AEX Stock Exchange on 24 September 1997. In the case of dividend payments in the form of shares (or depositary receipts for shares, as appropriate), the number will be set in such a way that each dividend entitlement will, at the closing rate referred to, be worth less than NLG 0.80, the interim cash dividend. The difference will not exceed 5%. The new shares or depositary receipts for shares will give an entitlement to a final dividend over the 1997 financial year and dividend over the financial years which follow.

The timetable is as follows:

1 September 1997 to 24 September 1997 (before close of trading):
1 September 1997:
24 September 1997 (after close of trading):
29 September 1997:

Period for making choice known
Ex-dividend quotation for depositary receipts for shares
Determination of exchange ratio
Cash dividend payable and transfer of new (depositary receipts for) shares

Also on behalf of Stichting Administratiekantoor van aandelen Fortis AMEU, holders of depositary receipts for shares are requested to make their choice known through their bank or broker to N.V. Nederlandsche Administratie- en Truantskantoor in Amsterdam. Holders of depositary receipts for shares who decide to take the dividend in the form of shares (or depositary receipts for shares, as appropriate) should, at the same time, have their dividend entitlements transferred to the CF depositary code 3.292 of N.V. Nederlandsche Administratie- en Truantskantoor, Herengracht 420, 1017 BZ, Amsterdam. If holders of depositary receipts for shares fail to inform the bank or broker in time about their decision, the bank or broker will generally make a decision on a holder's behalf. Holders of depositary receipts for shares whose decision has not been received before the close of the AEX Stock Exchange on 24 September 1997 will receive the dividend in cash.

From 29 September 1997 onwards, the cash dividend will be available from the head offices of the following banks after deduction of 25% dividend withholding tax:
Meesien N.V.
ABN AMRO Bank N.V.
Generale Bank Nederland N.V.
ING Bank N.V.
in Amsterdam, Rotterdam and Utrecht, insofar as the banks have premises there and from
Barclays Bank PLC, 2 Angel Court, Throgmorton Street, London EC2R 7HT, United Kingdom and
Fortis Bank Luxembourg, as the head office in Luxembourg.

The institutions of the AEX-Effektenbeurs nv will receive commission for the exchange of dividend entitlements in accordance with circular 90-56 of the AEX-Effektenbeurs nv so that the transaction can be free of commission charges to the holders.

Utrecht, 28 August 1997

Fortis AMEU nv
on behalf of the Executive Board,

J.L.M. Bartelds
Chairman

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COMPANIES AND FINANCE

KPN lifts earnings by 9% in first half

By Gordon Cramb in Amsterdam

First-half net profits rose just under 9 per cent at KPN, the Dutch posts and telecommunications utility, as it struggled to extract growth from an increasingly competitive phone services market.

Its mail division also delivered only a marginal initial contribution from TNT, the Australian parcels group for which it paid \$22m (US\$1.47bn) late last year. Although the incorporation of TNT and the related GD Express Worldwide were the main factors in a

50.7 per cent jump in operating income to F1.630m at its PTT Post unit, financing costs and tax meant that only a small proportion of the increase fed through to the bottom line.

Overall net profits rose 8.8 per cent to nearly F1.132bn (\$651m), in line with analysts' expectations. Earnings were also held back by a rise of only 1.7 per cent in operating income to F1.18m at PTT Telecom, which has been losing market share on international calls to new competitors as the industry undergoes a phased deregulation.

Under a plan announced in June, the posts and telecoms businesses are to become separate quoted companies in a split intended to take place in the first half of next year. For what is therefore expected to be its final year in its present form, KPN forecast "satisfactory" growth in net income.

Following a convention observed by many Dutch companies, this signals a rise of 7 to 12 per cent from the F1.246m recorded in 1996.

From July, KPN also lost its monopoly on domestic fixed-line services, although new entrants

such as British Telecommunications of the UK are not yet engaged in a frontal assault on that market. In January to June it saw 5.6 per cent growth in turnover from national telephony - in part because internet users fuelled demand for broad-band ISDN lines.

Main growth came in mobile phones, where revenues were up 28.1 per cent to F1.11bn. KPN's investments in telecoms companies in Ireland, the Czech Republic and Indonesia meant earnings from associates entered the black Uni-

source, the problem-laden venture with its Swiss and Swedish counterparts and AT&T of the US, reduced its losses.

Results were also helped by a more than halving of capital expenditure to F1.54bn mainly because KPN deconsolidated its interests in cable television, under pressure from the government, which still owns 45 per cent.

The cable business may be floated at the same time as the post and telecoms entities sever their links.

See Lex

SAT-1 upbeat as revamp pays off

By Frederick Stidemann in Berlin

SAT-1, Germany's second-largest commercial television station, said it expected to make a profit in 1997. It was the first sign that a comprehensive restructuring of the company, which in recent years had been losing both money and viewers, is starting to take effect.

Arno Waschkuhn, business director, said the turnaround had been driven by better programming pitched at 14-49 year olds, the market segment considered most important by advertisers.

He declined to say how large the expected profit would be.

This year SAT-1 had also benefited from a "significant" capital injection from its shareholders, the media company Kirch Group and Springer, a publisher, to finance a series of restructuring measures.

These include the concentration of all the company's activities in Berlin and a reorganisation of programming strategy.

Television companies typically spread their calculations for return on investment over three transmissions of a particular programme or series. In future SAT-1 will expect significantly more return from the first transmission.

Belgacom charge hits Tele Danmark

By Hilary Barnes in Copenhagen

Early retirement payments for employees in its associated company, Belgacom, the Belgian telephone concern, cost Tele Danmark DKr573m in the first half of the year, according to the Danish company's interim statement.

The charge was the main factor in a fall in pre-tax profits from DKr3.17bn to DKr1.86bn (\$271m).

Net profits were down from DKr1.34bn to DKr1.06bn, taking earnings per share from DKr10.23 to DKr8.15. Group turnover increased from DKr10.92bn to DKr12.84bn.

Excluding the Belgacom payments, net profits were 20 per cent up on last year, said the company.

It added that the full-year result would be hit by redundancy payments to Danish

personnel and would be "significantly" lower than last year's DKr3.1bn.

Tele Danmark acquired a 16 per cent stake in Belgacom in April last year. The Belgian company contributed DKr524m to the Danish company's gross operating profits in the first half.

The Danish state owns 52 per cent of Tele Danmark, but plans a privatisation sale in 1998.

The group reported a 4.5 per cent advance in turnover on Danish business to DKr10.1bn, including an 18 per cent increase in revenue from cellular traffic to DKr1.31bn. Cellular calls now account for 25 per cent of turnover in domestic phone calls.

The rise in the number of cellular subscribers slowed to 9.2 per cent, to reach a total of 841,000. The rate of growth for the whole of 1996 was 46 per cent.

However, measured in minutes used, cellular traffic increased by 23 per cent in the first half.

Tele Danmark estimates its share of the cellular market as 60 per cent.

Competition for international calls caused the company's turnover to fall by 13 per cent to DKr1.27bn. The company said it estimated that its share of international calls out of Denmark had fallen to about 80 per cent from 90-95 per cent at the end of last year.

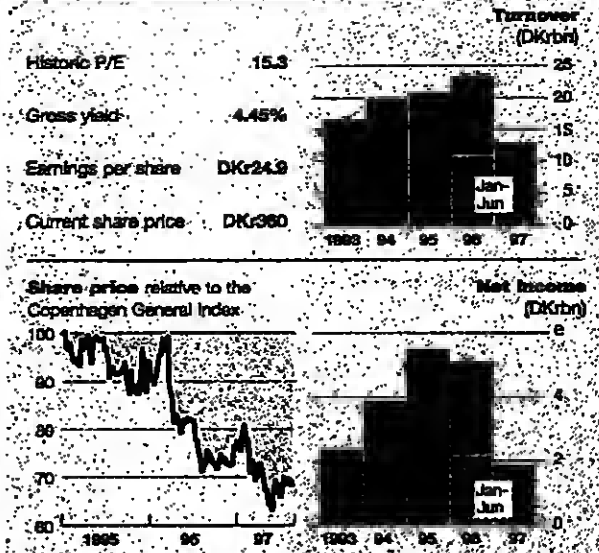
Turnover from the group's international operations (excluding Belgacom) increased by 134 per cent to DKr461m, but these operations yielded a loss of about DKr68m.

The company has shares in a number of mobile phone operations in eastern and central Europe and recently acquired Talkline, the German service provider.

PROFILE

TELE DANMARK

Market value: DKr 33.9bn Main listing: Copenhagen



Restructuring costs put Bezeq in the red

By Judy Dempsey in Jerusalem

Bezeq, Israel's state-controlled telecommunications company, yesterday reported a net loss of Shk409m (\$116m) for the first half of 1997 after taking a Shk1bn write-off for a big restructuring programme.

However, revenues remained buoyant, despite the recent introduction of competition in international

telephone calls. The net losses of Shk506m in the second quarter, after net income of Shk144m in the first, were due to an early retirement programme announced last month, when the company said it would reduce the 9,000 workforce by nearly 20 per cent.

The restructuring, which will cost Bezeq Shk1bn, was introduced to pave the way for domestic competition in the telecoms sector sched-

uled for 1999, as well as further privatisation when the government intends to reduce its holding from 67 per cent to just above 51 per cent by the end of the year.

Izzy Tapoohi, chairman, said the restructuring would save the company Shk400m each year and he expected to get a return on that investment in four years.

But analysts said profitability could suffer further by the end of the year when

the real impact of international competition bites into Bezeq's market share.

Since the international telephone sector was opened to full competition in July, Bezeq has cut the cost of calls by 75 per cent. It said its share of that market had fallen to about 54 per cent, which will influence this year's profitability.

International telephone calls last year accounted for nearly 30 per cent of the

company's revenues of Shk8.28bn. Net income totalled Shk658m.

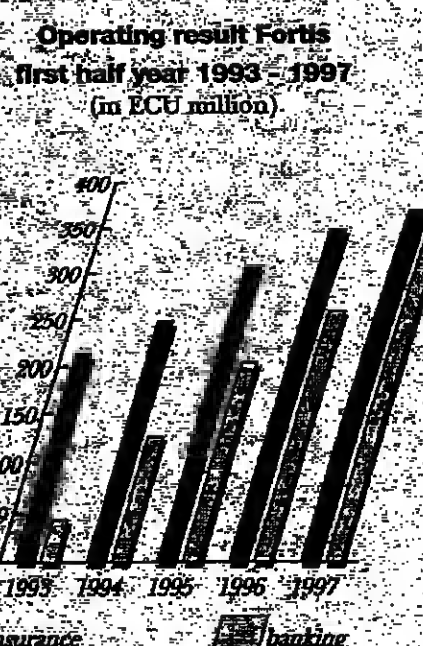
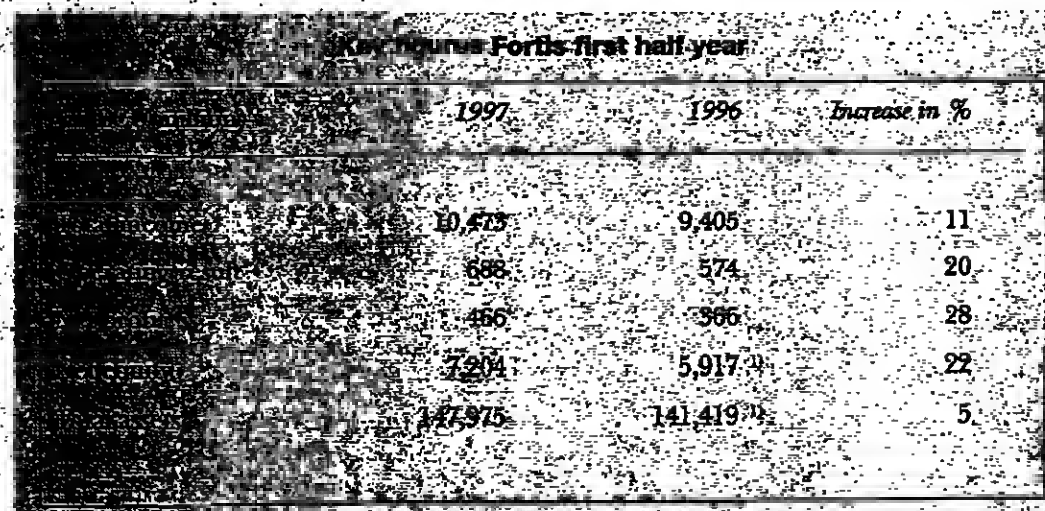
Despite strong competition, revenues for the first six months of this year increased 4.3 per cent from Shk4.2bn to Shk4.4bn. Part of the reason is Bezeq's more aggressive marketing strategy, aimed at winning new customers before the domestic market opens. Operating profits climbed 20.7 per cent, from Shk661m to Shk799m.

Fortis raises forecast after good half year

Fortis results in the first half year of 1997 rose sharply compared with the first six months of 1996. Net profit rose by 28% to ECU 466 million, while the operating result increased by 20% to ECU 688 million. This growth is mainly the result of profit recovery in the United States and banking activities. Moreover the contribution from Meesdriess was even better than expected. Total income increased by 11% to ECU 10,473 million and net equity rose with 22% to ECU 7,204 million. The earnings per share of Fortis AG and Fortis AMEV rose by 25% and 28% respectively.

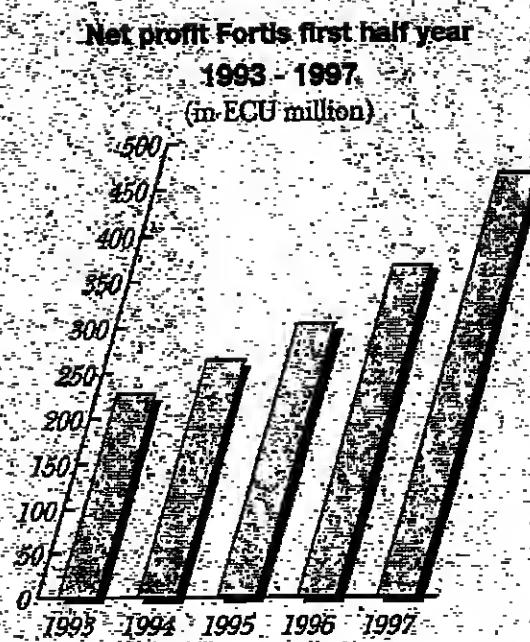
Key figures Fortis AG and Fortis AMEV first half year

	Fortis AG (in BEF)			Fortis AMEV (in NLG)		
	1997	1996	In %	1997	1996	In %
Net earnings per share	219	175	25	2.81	2.19	28
Equity per share	5.541	4.553	22	48.45	36.69	32
Interim dividend	0.80	0.68	18			



Prospects

On the basis of the good results in the first half year, Fortis and its parent companies are raising their previous forecast. Barring unforeseen circumstances, they expect an increase between 15 and 20% in net profit and earnings per share for 1997 as a whole.



Information

If you wish to receive a copy of the half year report of Fortis and its parent companies, please contact Group Communication at:

Fortis Bd. Emile Jacqmain 53 1000 Brussels Belgium Tel: 32 (0)2 220 93 49 Fax: 32 (0)2 220 80 92	Fortis Archimedeslaan 6 3584 BA Utrecht the Netherlands Tel: 31 (0)30 257 65 48 Fax: 31 (0)30 257 78 88
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IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANONIMA

Registered with the Justice General Inspection on February 21, 1994 under Number 1373 of the Book 1147° "A" of S.A.

The Holders of Negotiable Obligations maturing 1999 issued by this Company in the month of February 1994, are hereby called to attend the Meeting of Negotiable Obligations Holders to be held on September 10th, 1997 at 11:00 A.M. for the first call, and on October 10th, 1997, at 11:00 A.M. for the second call, at Bolivar 108, 1st Floor, Capital Federal, for the purposes of considering the following:

AGENDA

- Appointment of two Negotiable Obligations holders in order to subscribe the minutes and;
- Analysis and resolution to remove, either entirely or partially, finally or temporarily, the financial commitments undertaken by the Company in (b) Index of Consolidated Liability over Net Worth and (c) first part, Restriction to the Debt - (v) Financial commitments - COMMITMENTS - DESCRIPTION OF NEGOTIABLE OBLIGATIONS of the prospect approved by the National Securities and Exchange Commission dated February 28, 1994; and, in ANNEX A (Specimen of Negotiable obligation, (B) Commitments, (c) Financial Commitments) of the Agency Contract executed on March 3, 1994; the abovementioned approval amounts to an express exemption with respect to the eventual excess in the relation of indebtedness that may have occurred in the period after March 31, 1997; and
- Analysis and resolution for the substitution, either final or temporarily restricted, of the limit to the secured indebtedness undertaken in the Company's commitments in DESCRIPTION OF THE NEGOTIABLE OBLIGATIONS - COMMITMENTS - (i) Restrictions to the creation of Charges of the Prospect as approved by the National Securities and Exchange Commission dated February 28, 1994; and in ANNEX A Specimen of Negotiable obligation, (B) Commitments, (i) Restriction to the creation of Charges of the Agency Contract executed on March 3, 1994, for a commitment to keep at least \$270,000.00 of its Total Assets free from any charge according to the last financial statements of the Company, or any other restriction that the negotiable Obligations holders may establish. The approval of the proposed modification amounts to an express exemption with respect to an eventual excess in the relation of the secured indebtedness that may have taken place after March 31, 1997, as long as said indebtedness had not exceeded the limit of \$270,000.00.

NOTE: In order to attend the Meeting, the Negotiable Obligations Holders shall have to file with the Company, before September 4, 1997 - on which date the term for said filing shall mature - between 10:00 A.M. and 6:00 P.M. at Bolivar 108, 1st Floor, Capital Federal, a certificate issued by an authorized institution, evidencing their capacity as rightful holders.

The Company shall submit to the negotiable obligations holders the certificates necessary to attend the Meeting.

Tel: 54-1 323-7555 IRSA INVERSIONES Y REPRESENTACIONES
Fax: 54-1 323-7597 Bolivar 108 1° Piso (1066) Buenos Aires
e-mail: irsa@com.ar http://www.irsa.com

I, Adriana Faerman, sworn public translator, do hereby certify that this is a true translation into English of the document in Spanish which I have had before me on this 15 day of August, 1997.

/s/ Adriana Faerman

ECU 200,000,000

Caisse Francaise de Developpement

Crédit Central de Coopération Economique

Flotting Rate Notes due 2006

For the period from August 23, 1997 to November 23, 1997 the Notes will carry an interest rate of 4.25% per annum with an interest payment of ECU 100.00 per ECU 100.00 and of ECU 100.00 per ECU 100.00 Note. The relevant interest payment date will be November 23, 1997.

Agreed Bank:

BNP PARIBAS

BRISBANE BRANCH

BRISTOL WEST

BRISTOL WEST

£100,000,000

Flotting Rate Notes

Due 1999

For the Interest Period 27th

August, 1997 to 27th November,

1997 the Notes will carry a Rate of

Interest of 7.41641 per cent, per

annum, with a Coupon Amount

of £1,869.34 per £100,000 Note,

payable on 27th November, 1997.

Listed on the London Stock Exchange.

Bankers Trust Company, London Agent Bank

COMPANIES AND FINANCE

Economic woes take toll on Thai banks

By William Barnes in Bangkok

Thai Farmers Bank, Thailand's third largest bank, reported a 19 per cent drop in audited first-half profits, after earlier warnings by its president, Mr Banthoon Lamsam, that the economic slowdown would hurt earnings this year.

Thai Farmers Bank is thought to have been one of the beneficiaries of a flight to quality by panicky investors, following the

authorities' recent closure of two-thirds of the country's finance sector.

But the slowdown in economic activity to a level not seen for 30 years is eroding banks' asset quality at the same time as it suppresses credit growth.

Thai Farmers said its audited net profit in the first six months of 1997 was Bt5bn (\$146.2m), compared with Bt6.18bn in 1996.

At the Bank of Ayudhya, audited

first-half profits tumbled 21 per cent from Bt2.46bn to Bt1.95bn.

Krungthai Thanakit, a big state-controlled finance house, said that its net profits plummeted to Bt4.1m over the first half of 1997, against Bt663.7m in the same period last year. Its earnings per share fell to Bt0.19, compared with Bt2.93 in 1996.

The company did not say why profits had fallen so sharply. However, the finance sector has been

devastated as aggressive boom-time lending to the now collapsed property market, and to now hard-pressed hire-purchase customers, has turned into bad debt.

Dhama Siam Finance & Securities said its profits had crashed 94 per cent in the first half to Bt113.1m, from Bt729.7m a year earlier. The company did not explain why unaudited net profits reported in July at Bt131.9m had shrunk even more.

The two finance houses were not in the total of 58 out of 91 houses suspended from trading by the authorities after Bt430bn of central bank money failed to stave off bankruptcy.

Meanwhile, Japan's Sakura Bank, which has been one of the leading Japanese financiers of the 10-year-long economic boom, denied that it had a very heavy exposure to bad loans in Thailand.

INTERNATIONAL NEWS DIGEST

Capital gains help lift Bank Leumi

Bank Leumi, Israel's second largest bank, yesterday said net profits for the first half of the year surged 240 per cent to Shk501m (\$228m), fuelled by capital gains of Shk464.4m, but also by an improvement in capital markets operations and cost control. The capital gains include the sale of its shares in Leumi Insurance Holdings and Africa Israel Investments, its non-banking holdings.

Net profits, excluding the gains, rose 55 per cent to Shk334.5m from Shk180.7m a year earlier, giving the bank an 8.9 per cent return on capital compared with 5 per cent last time. Operating and other income rose 5.7 per cent to Shk1.17bn against Shk1.1bn in the same period last year, including a 38 per cent jump to Shk586.3m in the second quarter. Bank Leumi increased provisions for doubtful debts by 35.9 per cent from Shk245.2m during the first half of 1996 to Shk334.5m this year. *Judy Dempsey, Jerusalem*

GERMAN BANKING

Dresdner plays down rumours

Germany's Dresdner Bank yesterday reaffirmed its interest in expanding in the US market, but played down reports that it was seeking a minority stake in US investment bank Donaldson, Lufkin & Jenrette. The Frankfurt-based bank said Dresdner wanted to buy 20 per cent of DLJ and was in talks with French insurance group AXA-UAP, which owns a stake to DLJ through its US insurance unit The Equitable. Dresdner said it was not currently negotiating to take over an investment bank. Equitable owns 80 per cent of DLJ after bringing 20 per cent of the investment bank to the market in a public offering in October 1995. *Andrew Fisher, Frankfurt*

SWEDISH BANKING

FöreningsSparbanken dividend

FöreningsSparbanken, the newly merged Swedish banking group, will pay a maiden dividend of SKr6 this year. The bank, formed by the merger this year of Sparbanken and its smaller rival Föreningsbanken, also said restructuring plans involving a 3,000 cut in staff were ahead of schedule. The restructuring is expected to generate cost savings of SKr1.5bn (\$191m), mainly by eradicating duplication in the branch network. *Tim Burt, Stockholm*

TAIWAN SHIPPING

Downturn at Evergreen Marine

Results at Evergreen Marine, the Taiwanese shipping concern, slid during the first half of this year. Evergreen, one of the world's biggest containerised shipping lines, posted turnover of T\$13.7bn (\$477m) down from T\$15.8bn last year. Net profits fell from T\$1.7bn to T\$943m and earnings per share from T\$1.11 to T\$0.56. *Laura Tyson, Taipei*

AUSTRALIAN MINING

Great Fitzroy buys Cobar mine

Great Fitzroy Mines, an Australian company, is paying A\$36.6m (US\$27m) to buy the Cobar copper mine in New South Wales from Ashanti Goldfields of Ghana, a move it hopes will pave the way to a listing on the London Stock Exchange. Peter Prentice, managing director, said Great Fitzroy expected to increase annual output at Cobar from 34,000 to 45,000 tonnes in about a year and this would help to reduce cash operating costs from 90 US cents a pound to 75 cents.

Great Fitzroy, which will change its name to Copper Mines and Metals, is also to increase its stake in the Hlab copper project in Namibia from 20 to 55 per cent by agreement with its partner, Namibian Copper Mines. Hlab is expected to start up in two years with a targeted annual output of 115,000 tonnes of copper and 17,000 troy ounces of gold. *Kenneth Gooding, Mining Correspondent*

Telstra falls into red

By Elizabeth Robinson in Sydney

Telstra, the Australian telecommunications group which is floating one third of its shares in November, yesterday reported a 30 per cent fall in net profits to A\$1.62bn (US\$1.2bn) for the year ended June 30, after exceptional losses of A\$1.7bn.

The losses included a A\$476m charge on rationalising its broadband network, a A\$342m assets write-down and a A\$394m loss on the Jindalee radar project. It also took a A\$1.13bn charge for redundancies.

The losses were partially offset by A\$606m from accounting changes.

Telstra has rained back

the roll-out of its cable network to reach 2.5m homes passed, instead of the original target of 4m homes. Frank Blount, chief executive, insisted: "We are pausing, we're not stopping and we will decide later whether or not the market is there to continue to roll out."

Foxtel, the joint pay-TV venture of Telstra and News Corporation, reported losses of A\$212m and Telstra would not forecast when the cable network would start to return profits.

Profits before exceptional items rose 17.4 per cent to A\$3.8bn on sales up 5 per cent to A\$15.98bn. Mr Blount said much of the sales growth was fuelled by newer and value-added products

such as mobile telephony and data services.

Some 10,000 staff were cut, with another 7,000 jobs to be shed this year. Telstra has previously said it would cut 25,000 jobs from its 65,000 staff over four years.

Analysts had expected the extent of the write-downs as Telstra prepares for its stock market debut. The Telstra offer is expected to yield more than A\$10bn for the government.

The offer documents will be sent out in October, with the listing likely in November, subject to market conditions. John Fahey, finance minister, said earlier this week he was "very satisfied" with initial reaction to the float.

Toshiba to close plant

By Michio Nakamoto in Tokyo

Toshiba, the Japanese electronics manufacturer, is to stop making video tape recorders at its plant in Singapore, which it owns jointly with Thomson Multimedia, and buy VTRs from Thailand and China instead.

The joint venture company, International Video Products, has been Toshiba's VTR production base in the region since 1989, and its closure will mean the Japanese company no longer manufactures VTRs in Asia.

Toshiba, which makes VTRs in the UK and Brazil, stopped manufacturing VTRs in Japan when it shifted production to China

in June. It will buy VTRs made to its specifications from Thomson Multimedia's manufacturing plant in Thailand and increase procurement from a factory in China.

The company said its decision to halt manufacturing in Singapore stemmed from a variety of factors, including the severe competition in the VTR market, where prices have fallen significantly, and its low growth prospects in the years ahead.

Japanese manufacturers have, over the years, shifted a large volume of VTR production out of Japan to other low-cost Asian countries. Overseas production of VTRs by Japanese manufacturers surpassed domestic

production in 1994 and has since risen to 26,647 units last year, against domestic production of just 9,984 units.

Toshiba's move, however, highlights the growing difference in costs among Asian countries, which is making it increasingly necessary for manufacturers to shift production bases within the region.

Research and development activities, including the joint development of VTRs with Thomson Multimedia, will be kept in Singapore, where Toshiba's video products company, TVVP, will continue to function as the video headquarters in charge of planning, marketing and servicing for the region.

SOLD STOCK MARKET

FAR GREATER THAN THE SUM OF ITS PARTS

THE FINANCIAL STRENGTH, THE MINERAL RESOURCES
AND THE TECHNICAL EXPERTISE OF

RUSTENBURG PLATINUM HOLDINGS LIMITED

POTGIETERSRUST PLATINUMS LIMITED

LEBOWA PLATINUM MINES LIMITED

AND AMPLATS LIMITED

HAVE MERGED

TO CREATE

THE NEW

ON 1ST SEPTEMBER 1997, RUSPLATS EMERGES
AS THE NEW AMPLATS. THIS FOCUSED PLATINUM
GROUP WILL INCORPORATE RPH, AMPLATS, PPRUST
AND LEPLATS. THE FINANCIAL, MINERAL AND

TECHNICAL RESOURCES OF THE GROUP ENABLE THE
NEW AMPLATS TO MOVE DOWN THE INDUSTRY COST
CURVE, AND TAKE BETTER ADVANTAGE OF MARKET
OPPORTUNITIES FOR GROWTH.

AMPLATS
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FAR GREATER THAN THE SUM OF ITS PARTS.

Coutts & Co

Notice of Interest Rates
for Private and Business Clients
effective from 1st September 1997

	gross interest rate p.a.	gross compounded annual rate (C.A.R.)
Current and Deposit Accounts for Private Clients		
Current Account with Cash Management Option* and Reserve Account*		
£100,000+	5.125%	5.224%
£50,000-£99,999	4.80%	4.38%
£20,000-£49,999	4.00%	4.06%
£5,000-£19,999	3.50%	3.55%
TESSA*	7.00%	7.16%
Charity TESSA*	6.30%	6.45%
Deposit Accounts for Private and Business Clients		
Three Month Reserve Account*		
£50,000+	6.375%	6.529%
£25,000-£49,999	5.25%	5.35%
£10,000-£24,999	4.75%	4.84%
7 Day Notice Deposit Account*	1.00%	1.00%
Deposit Accounts for Business Clients		
Reserve Accounts for Businesses/Charities/Societies*		
£250,000-£1 million	4.35%	4.42%
£100,000-£249,999	4.20%	4.26%
£25,000-£99,999	4.00%	4.06%
£10,000-£24,999	3.35%	3.39%

*Interest is paid quarterly. *Interest is paid half-yearly.
†Interest is paid only on the portion of the cleared balance which exceeds £5,000.

• Interest is payable on Reserve Account balances below the minimum level at a gross rate of 1% p.a. (Gross C.A.R. 1%).

• Interest will be paid after deducting tax (where applicable) at the prescribed rate.

• The gross compounded annual rate is the rate where gross interest payments are retained on the account during the year.

• We are also able to place sterling and other currencies in the Money Markets. All rates are subject to variation.



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पूँजी बाजारों में माहिर हैं हम

ING BARINGS

FINANCIAL TIMES

MARKETS

THIS WEEK

At Home in Emerging
and Capital Markets

ING BARINGS

Global Investor/ Philip Coggan

A dilemma for active managers

Times are hard for active managers. In the US, professional investors have struggled to beat the S&P 500 as a handful of stocks - the new Nifty Fifty - have driven the market higher. In the UK, investors have not only missed the bull market on Wall Street but have recently struggled with their domestic stock selection.

It would be no surprise, therefore, if fund trustees started to turn their thoughts towards switching to a passive index-tracking approach, particularly in the international arena.

But Paul Woolley of fund management group GMO Woolley argues that this would be a retrograde step. He argues that, since the early 1990s, the performance of fund managers has gone

through three distinct phases.

In the first phase, from 1982-88, the median fund manager, as measured by Caps, underperformed the world ex-UK index by an average of 4.7 per cent annum. This was a period when all world stock markets were strong and fund managers' biggest mistake was to be underweight in Japanese equities, at a time when the "bubble economy" was developing.

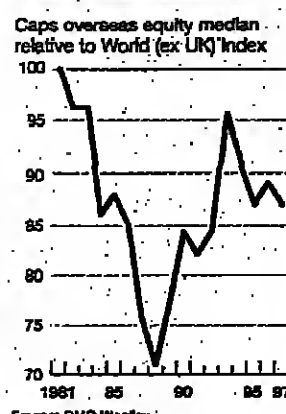
In the second phase, from 1989-93, fund managers outperformed the index by an annual average of 6.3 per cent. Stock markets were generally weaker and the Japanese bubble collapsed. "There was a reversion to more fundamental values in the pricing of markets and

individual securities" he argues.

The third phase started in 1994 and, according to Woolley, investors "have witnessed a recurrence of exuberant conditions in equity markets. The US bull market has been building for several years, and within the principal western markets there has been exceptional price momentum among the largest stocks in a few sectors. Once again, fund managers have underperformed during the latest phase by an average of 2.9 per cent a year.

Woolley argues that active managers generally underperform in periods of market euphoria and distortions from fair value. Accordingly, if trustees switch from active to passive manage-

Funds fall behind



Total return in local currency to 28/08/97

	US	Japan	Germany	France	Italy	UK
Cash	0.11	0.01	0.08	0.06	0.13	0.14
Week	0.47	0.05	0.28	0.28	0.58	0.57
Month	6.01	0.72	3.37	4.28	8.50	8.02
Year						
Bonds 3-5 year	-0.34	0.07	-0.23	-0.20	-0.34	-0.09
Week	-0.22	0.63	-0.37	-0.14	-0.55	0.48
Month	7.58	5.43	8.65	7.94	18.18	8.99
Year						
Bonds 7-10 year	-0.68	0.13	-0.63	-0.52	-0.98	-0.38
Week	-0.91	1.10	-0.70	-0.57	-1.36	0.15
Month	8.71	10.52	11.43	12.51	26.48	11.47
Year						
Equities	-2.2	-3.4	-6.6	-4.0	-2.1	-2.5
Week	-3.1	-7.2	-8.7	-6.0	-8.8	0.4
Month	38.2	-5.0	52.5	43.0	24.9	24.9
Year						

Source: Cash & Bonds - Lehman Brothers. Equities - FT/SE Index Unit. The FT/SE Index Unit is jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

Sharp rises expected at Elf Aquitaine and Total

Elf Aquitaine and Total, the French oil companies, are both expected to report sharply higher net profits for the first half.

A significant rise in the dollar against the franc largely offset the impact of tumbling crude oil prices over the period, said analysts, while cost-cutting measures at both companies, recovering refining margins and improving results from chemicals operations will have added to profitability.

Net profit for Total, which reports on Wednesday, is expected at FF3.65bn-FF3.83bn (\$580m-\$610m)

compared with FF2.64bn in the first half of 1996, while Elf is expected to announce on Thursday net profits of FF4.8bn-FF5.07bn against FF3.56bn in the first six months of 1996. "The numbers for both companies are going to be very good," said Peter Hitchens, analyst at brokers Williams de Bro.

Refining margins will have been good, chemicals are improving and most importantly, there was a strong currency effect.

Gist-Brocades is expected to report today net profits of FF1.64m-FF1.68m (\$30.9m-\$32.8m) for the six months to June, down from FF1.7m a year earlier, analysts said. Earnings per share are expected to fall to FF1.56-FF1.69 against FF1.73.

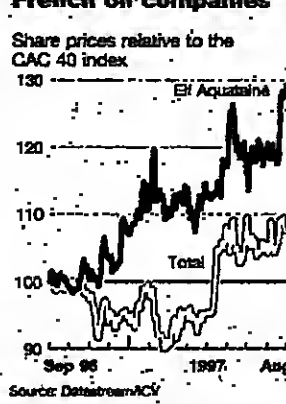
Analysts based their forecasts on the profit warning issued by the company at the beginning of August,

when it said full-year profits were expected to show a slight decline from a year earlier because of an unexpectedly sharp decline in prices for penicillin and a number of derivatives, mainly in the second quarter. The company had previously forecast a "clear" increase in full-year profits, which analysts interpreted as meaning a rise of 7-12 per cent.

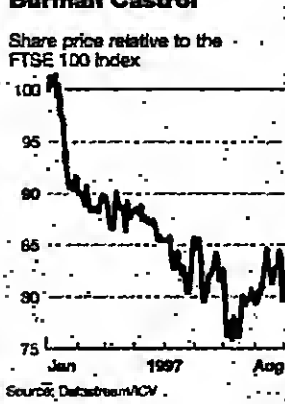
John David Roeg, Bank Labouchere analyst, said that while the drop in penicillin prices was a "disaster" for the company, "if this happened 10 years ago, the expected profit decline would be much higher than the slight decline Gist-Brocades now expects," because of positive trends at the group's other two divisions, bakery ingredients and specialty foods.

In its profit warning the company had said that those

French oil companies



Burmah Castrol



Bunzl, the UK paper and packaging group, reports results for the six months to June 30 today and investors will be anxious to hear the effects of the strength of the pound against the dollar. Panmure Gordon, house broker, is forecasting a pre-tax result of £56m, against £55.8m last time. Although the headline result may be static, Bunzl is a large dollar earner, so the figures are likely to show underlying progress hampered by the effects of translation into sterling.

Interim results tomorrow from CRH, the Republic of Ireland's largest industrial group, are expected to reflect greater seasonality of the business following its US acquisitions. For the past four years the proportion of annual pre-tax profits made in the first half has been about 35 per cent, which is

expected to fall as a result. Davy, the house broker, is forecasting a 3.2 per cent decline in six-month pre-tax profits to £56m (\$91.8m).

Interim pre-tax profits for Wimpey, Britain's biggest housebuilder, are expected to fall within a range of £55m-£59m compared with losses of £26m. The results, announced tomorrow, are expected to offer some indication on the cost increases the industry is facing.

CMG, the Anglo-Dutch computer services group, reports results tomorrow for the half year to June 30. ABN Amro Hoare Govett, house broker, expects pre-tax profits of £12.9m and earnings per share of 12.9p on sales of £126m. Last time, profits rose from £8.6m to £11.3m. The company has already said that both sales and earnings for the first

four months of 1997 were well ahead of the equivalent 1996 period.

Cairn Energy, the Edinburgh-based energy company, will announce results for the half year to June 30 on Thursday. Analysts expect pre-tax profits of £10m-£13m on turnover of about £55m. Attention will focus on news about Cairn's exploration activities in Bangladesh.

Sema, the information technology group, announces first-half pre-tax profits on Thursday, expected to be about £25m on turnover of about £540m. Analysts will be looking for more detail on the merger with Financiere Sema. Signals that the company is progressing with its plans to consolidate and to break into the US market would be welcomed.

INTERNATIONAL EQUITIES BY REGION

New issues get a reality check

While Europe's politicians and investment bankers took their huckles and spades to the beach over the past few weeks, the continent's stock markets got an attack of vertigo.

And as they drift back to work this week, the question on the sun-kissed financiers' minds must be whether that was a good or bad sign for the flood of privatisation issues scheduled for the next four months.

Cash-hungry administrations - many of them looking to fill budgetary holes thrown up by efforts to raise up to \$40bn (£24.5bn) from selling state assets between now and the end of the year.

The undoubted success of those privatisations that were completed in the first half of the year augured well for another round of sell-offs in the second half. Stock

markets raced up strongly on the strength of new issues and huge liquidity, as retail investors deserted the bond markets, with their declining yields, in search of value.

Now, key European markets have seen a correction of between 10 and 15 per cent over the past two months. But rather than causing a rethink, the falls are being interpreted as a reality check for officials and investors whose expectations of returns were getting as inflated as share prices.

"In Europe the correction has been healthy, and much more marked than on Wall Street," said Camilla Reeves at fund management group Guinness Flight Hambros. "I'm reasonably confident that if Wall Street holds up investors will come back from holiday and see equity markets are now 10 to 15 per cent lower and think that offers a buying opportunity."

Last week's sale by Renault, the French vehicle maker, of its remaining stake in Volvo of Sweden, in a transaction valued at \$320m, was taken as evidence that demand for new shares entering the market is still buoyant. Morgan Stanley Dean Witter, the investment bank, bought the shares from Renault and sold them on to institutional investors within two hours.

But the crowded privatisation schedule over the next few months will put heavy demands on liquidity. Some bankers say corporate issuers, nervous about the jittery state of markets, are seeking to jump the queue to get their issues out of the way before the big privatisations, many of them of telecoms companies, begin in late September.

"There are some companies scheduled to have offerings at the end of the year that are now looking to do

them earlier because of market nervousness," one investment banker said.

Clearly, no government wants to see a downturn in share prices generally while in the middle of planning a flagship privatisation. And while market watchers do not expect anything dramatic to happen, it does not take much to spark a sharp correction - a turnaround in interest rates, for example, similar to that in early 1994, which caught governments trying to sell privatisation issues at end-1993 prices and forced a scaling-down of new issue activity as liquidity dried up.

Two months ago it looked as if markets were heading higher indefinitely, and there was little on the horizon to trouble them. Now, said one London-based fund manager, "politicians must be hoping the party is not going to come to an end just when they want more."

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

REGIONAL AND COUNTRY MARKETS figures in parentheses indicate number of lines	FRIDAY AUGUST 29 1987										THURSDAY AUGUST 28 1987										DOLLAR INDEX			
	US Dollar Index	% change 31/12/86	Sterling Index	Yen Index	DM Index	Local Currency Index	Local 31/12/86	Gross Yield	US Dollar Index	Sterling Index	Yen Index	DM Index	Local Currency Index	High	52 week Low	52 week Low	Yen approx							
Australia (70)	222.93	0.5	178.79	189.51	208.64	201.39	6.7	3.81	227.55	206.89	170.42	212.51	205.48	243.87	200.17	205.99								
Austria (22)	192.92	1.8	103.68	148.89	180.58	180.47	18.7	1.83	195.48	179.45	146.40	182.56	182.49	206.00	174.70	180.82								
Belgium (20)	225.83	3.8	215.59	179.32	220.71	216.12	21.2	3.18	236.59	216.27	178.45	220.02	218.48	261.11	213.82	215.98								
Brazil (3)	255.56	34.7	253.51	194.31	228.18	218.06	21.2	3.18	236.59	216.27	178.45	220.02	218.48	261.11	213.82	215.98								
Canada (120)	211.75	11.5	198.57	181.01	198.19	212.80	13.0	1.75	212.80	185.44	158.45	198.83	213.94	224.03	182.51	183.55								
Denmark (2)	379.78	7.8	347.18	293.77	355.44	354.05	25.4	1.55	380.35	353.34	292.35	354.55	383.10	412.25	317.47	319.07								
Finland (28)	285.19	16.1	260.71	216.85	268.01	324.40	36.5	1.70	281.84	268.00	218.85	272.85	330.33	314.08	205.88	214.22								
France (83)	217.48	1.8	198.61	165.36	203.54	208.82	18.5	2.55	222.30	204.07	188.49	207.61	210.83	237.57	187.42	188.37								
Germany (12)	218.18	13.2	198.59	163.80	201.37	201.37	32.3	1.42	213.15	201.18	184.12	204.85	204.85	238.42	172.93	176.83								
Hong Kong, China (65)	481.58	-3.0	448.38	373.78	480.07	488.05	-2.9	3.17	517.83	475.19	387.89	483.43	514.84	580.03	421.41	434.57								
Indonesia (27)	136.33	-40.0	126.18	104.12	128.15	247.81	-25.1	2.82	146.82	134.80	108.82	138.94	288.95	254.80	136.93	182.10								
Ireland (17)	367.83	11.8	335.38	273.48	343.87	348.21	27.2	2.90	389.77	358.45	278.94	345.34	361.22	378.18	288.62	298.59								
Italy (53)	99.14	18.8	90.35	75.38	92.78	130.36	37.5	1.82	98.07	80.03	73.45	91.59	128.85	105.78	73.25	75.13								
Japan (405)	122.85	-4.8	112.30	92.48	114.57	93.41	-14.1	0.85	125.65	115.35	94.11	117.35	94.11	147.81	107.57	144.54								
Malaysia (107)	218.51	47.2	201.28	242.26	208.19	357.76	-39.0	1.95	325.09	298.44	243.48	303.81	363.66	660.85	318.81	551.49								
Netherlands (19)	186.13	38.4	152.18	126.55	157.48	1415.68	34.8	1.58	173.88	157.41	128.68	160.08	1490.35	1864.38	1136.59	1281.74								
Norway (14)	386.77	15.1	353.57	294.09	361.88	357.73	34.8	2.25	381.15	358.08	282.26	355.50	381.24	431.69	297.04	300.62								
South Africa (14)	37.95	-4.8	36.82	24.64	32.08	327.50	27.9	1.88	37.83	28.44	241.04	300.56	324.82	330.72	248.20	250.58								
Spain (11)	323.71	8.5	297.07	271.22	302.88	302.88	39.7	1.29	310.41	301.36	282.89	303.12	348.25	370.12	301.49	337.70								
Sweden (49)	108.19	-17.8	97.87	80.74	99.38	160.89	-39.7	1.51	108.41	99.36	82.89	103.12	116.58	124.07	105.19	205.19								
Switzerland (34)	242.75	10.4	221.91	184.58	227.19	273.58	28.1	2.49	240.25	212.36	184.83	217.77	248.25	270.12	201.49	237.70								
Taiwan (14)	242.75	10.4	221.91	184.58	227.19	273.58	28.1	2.49	240.25	212.36	184.83	217.77	248.25	270.12	201.49	237.70								
Thailand (42)	242.75	10.4	221.91	184.58	227.19	273.58	28.1	2.49	240.25	212.36	184.83	217.77	248.25	270.12	201.49	237.70								
United Kingdom (213)	242.75	10.4	221.91	184.58	227.19	273.58	28.1	2.49	240.25	212.36	184.83	217.77	248.25	270.12	201.49	237.70								
USA (63)	242.75	10.4	221.91	184.58	227.19	273.58	28.1	2.49	240.25	212.36	184.83	217.77	248.25	270.12	201.49	237.70								
World (1972)	242.75	10.4	221.91	184.58	227.19	273.58	28.1	2.49	240.25	212.36	184.83	217.77	248.25	270.12	201.49	237.70								
World Ex. Japan (1972)	242.75	10.4	221.91	184.58	227.19	273.58	28.1	2.49	240.25	212.36	184.83	217.77	248.25	270.12	201.49	237.70								
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EMERGING MARKETS By John Riddina

BUSINESS TRAVEL

Travel Update • Roger Bray

Taxes and fares

Growing consumer pressure suggests that airlines flying from the UK will soon be required to include taxes in advertised fares.

Britain's Advertising Standards Authority is expected to take a decision next month on two complaints against two carriers. The signs are that it is questioning whether showing taxes separately is misleading.

There are three main reasons: irritation among package tour operators, which are governed by rules that make it much harder

for them to do likewise; the view of Nigel Griffiths, consumer affairs minister, who wants taxes to be included in all fares and holiday prices; and the doubling of the UK's air passenger duty - to £10 on short-haul services and £50 on longer flights - which is due to take effect on November 1.

Action by the authority would affect the new wave of low-cost airlines and others advertising special promotional discounts, rather than carriers providing fare information over the telephone or

through travel agents.

For passengers buying the cheapest available domestic deals, such as Ryanair's £19 one-way deal between London Stansted and Glasgow, the increased duty would represent almost half the ticket price.

Hyatt web service

Hyatt has employed what it claims is the hotel industry's first "cyber concierge" on its Internet site (www.hyatt.com).

The Chicago-based company says web browsers can ask it any travel-related question and get a reply within 48 hours.

US-Taipai links

More convenient flights between Taipei and the US are promised as a result of an alliance between EVA Air and Continental Airlines. The Taiwanese carrier already serves Los Angeles, San Francisco, Seattle and New York. The new deal should shorten connecting times to cities including Cleveland, Baltimore, Pittsburgh, Philadelphia and Boston.

BA sleeper suits

Feedback from customers has prompted British Airways to offer duvets and sleeper suits in first-class

cabins on all overnight flights. Until now those items have been available only on westbound North Atlantic services.

A spokesman says: "We first introduced the suits several years ago. It took some time for people to get used to the idea of changing on flights - but more and more passengers have been asking for them."

Qingdao hotel

The Hong Kong-based Shangri-La chain has opened a 500-room hotel in the Chinese industrial city of Qingdao on the Bohai Gulf. About 45 minutes' drive from the airport, it has

25 suites, laptop power points in rooms, an indoor pool and fitness centre. Qingdao was colonised by the Germans in the late 19th century. Home to China's biggest brewer, it is the prime industrial powerhouse in Shandong province.

Paris-Iran route

Air France will suspend flights between Paris and Tehran on September 14. It says income from the route falls 20 per cent short of operating costs. It blames several factors, including constraints imposed by the Iranian authorities, which it accuses of rejecting proposed fare increases.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Hong Kong	24-28	24-28	24-28	24-28	24-28
Frankfurt	22-28	22-28	22-28	22-28	22-28
New York	20-24	20-24	20-24	20-24	20-24
L. Angeles	22-28	22-28	22-28	22-28	22-28
Paris	22-28	22-28	22-28	22-28	22-28
Tokyo	22-28	22-28	22-28	22-28	22-28

30 MINUTE TRIP

Airline meals can be inedible. Farrol Kahn explains how to make the most of eating at altitude

Food for thought

Airborne meals are often criticised, but few passengers realise they themselves are partly to blame for the food's inedibility. The cabin atmosphere distorts their sense of taste and dehydrates the mucous membranes in their noses, which blunts the sense of smell.

As our response to food is dependent on the convergence of taste, smell and sight, the enjoyment of a meal is affected when two of these elements are altered.

Anton Mosimann, a veteran chef of flying restaurants, says: "A dish on the ground will taste totally different at high altitude." Prime fillet can be turned into boiled meat, rice can become lead pellets and a subtle Burgundy transform into vinegar.

"The airline caterer must work out suitable recipes with the chef and test them in the air before putting them on the menu," observes Herbert Szedenik of Alirest Austrian Airlines.

Airlines do not only have to make sure their meals break the altitude barrier. Other problems include pre-cooking and storing the food before it is loaded on to the aircraft.

Anton Edelman, maître chef des cuisines at the Savoy hotel, says: "We have to select dishes which won't object to being reheated three hours after they are cooked. So we can't use puff pastry, which can split during regenera-

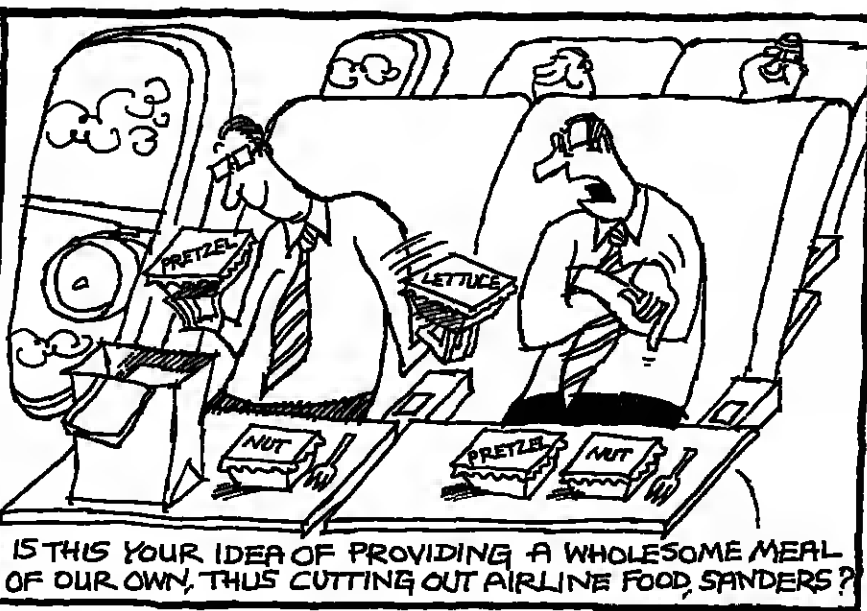
tion, or certain sauces."

Space and weight are limited and, with just a convection oven on board, dishes left too long can turn into disasters. The co-operation of cabin staff is essential. One of the best services is found on Air France Concorde, where the regulars are the most demanding. "They pay for excellence and we must anticipate their needs," says Nicole Magnet, the purser.

On one United flight in first class, a passenger chose pasta while advising a fellow traveller to choose the lamb. He complained to the flight attendant as he poked his rigatoni: "It doesn't fight back. It's overcooked." The rack of lamb with spicy ketchup was, however, superb.

An important factor to be overcome is the passenger's sense of smell, which is impaired by the cabin air. It is an easy task for an airline to increase the degree of bitterness, salt, sweetness and sourness in their dishes. They have to stimulate our sluggish palates. Sauces and salad dressings keep the food moist and can contain pungent ingredients.

The same principle applies to wines, where vintage with savoury and penetrating flavours predominate. "The New World wines show character in the air," says



Peter Nixon, manager of wine and beverages at British Airways. "Sophisticated wines, like Chablis, are below par."

The blighted area of the cabin is in economy. Here frozen food predominates, while on flights of less than two hours, cold food is served. On US domestic flights, passengers are downgraded to peanuts, pretzels and cola. Jürgen Manchot of Henkel, the German chemicals group, dislikes

such fare so much that he does not mind going on indirect routes with Lufthansa to his destination, to limit the number of internal flights. It is worth upgrading to first class? Martin Luchsin, regional vice-president of Gate Gourmet, which supplies meals for 210 airlines worldwide, says: "Most current. The trend is to serve better food upfront. More choices are available, including fresh organic food."

wine by the label, as reds can become too tannic, whites too acidic and Champagne can turn to soda pop. Favourite or expensive vintage are no guarantee that they will taste good. For example, Krug Champagne flies better than Veuve Clicquot-Ponsardin. Sauvignon blanc and an excellent claret could fall. Do taste your wine before drinking.

Food. Airlines with consistently good cuisine on long-haul include Virgin, Lufthansa, Emirates, ANA and KLM. Avoid heavy dishes such as red meat or rich foods like foie gras, as they remain undigested in the stomach. The lack of oxygen in the cabin tends to cause sluggish digestion.

If you do not eat airline food, bring your own. Dan Phelan, a senior vice-president of SmithKline Beecham, who commutes from the US, sometimes takes a chicken sandwich. Eat salads, fruit and vegetarian dishes, particularly potatoes because of their high moisture content.

Juice. Choose carrot juice. Drink a couple of glasses three days before your trip and on the day of departure. Research has shown that carrots reduce flight fatigue and minimise jetlag. There is up to 25 per cent less oxygen in the cabin due to pressurisation, and carrot juice reduces the loss of oxygen in your blood.

The author is director of the Aviation Health Institute

Less drudgery over expenses

Travelling executives find that the greatest drudgery of any business trip is filling out expenses forms afterwards. American Express's recent advertisements promising to take over this task will strike a note with people tired of adding up columns of numbers and stapling together tax receipts.

American Express is marketing a computer program that lets business travellers file their expenses electronically. The drawback is that their employers must be signed on to both the corporate credit card program and the new software; automated expenses are not yet available as a consumer product.

Supporters of the package say it is worth the savings in man hours. "We estimate our employees spend half the time they used to filling in expenses sheets," says Lorraine Dolan, head of accounts payable for Cytec, the New Jersey-based specialty chemicals group. "And our expenses were already semi-automated, using Lotus spreadsheets to make calculations."

Software to categorise and add up travel expenses has long been on the market. The American Express product is a leap forward because all charges placed on its corporate cards are

automatically downloaded to a travel expense file. In theory, an executive could charge a flight, meals and hotels, and merely fill in tips and taxis once back in the office.

In reality, things are more complicated. US tax laws specify that hotel charges must be itemised and meals classified as sustenance or entertainment, so executives will still have to send out receipts and review the electronic forms.

The program can be expensive for companies to run. The back-end module costs \$10,000 (£6,250). Corporations must pay one-time customisation fees of up to \$5,000 and \$18 per user, with an annual levy of \$5 for each user.

Nevertheless, it has been a success in the US. The company will conduct a pilot scheme in the UK this year, and may launch a similar product in Australia shortly. "Every country's system must be handled separately, because they all have different tax laws," says Steve Norman, vice-president of corporate services for American Express. "But we expect a big response internationally, too. The distaste for filling out expense sheets seems to be universal."

Victoria Griffith

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY

Aberdeen 10.6% Rd 2011 £5.40
American General \$0.35
Asoco British Foods 4.25p
Birmingham Mid Bldg Scty 8.96% Perm Int Brg £46.875
Bumdena Invs 0.75p
Cable & Wireless 7.7p
Coventry Elde Scty 12.94% Perm Int Brg £80.625
Delyn 1.5p
Dewhurst 0.86p
Do A Nvlg 0.96p
Eurocom 0.33p
Exmoor Dual Inv Int 1.7p
Ex-Im Bank of Japan 6.94% Gtd Bd 1999 \$431.25
Flaming Clavemhouse Inv Int 1.45p
Flaming Inc & Cap Inv Int 1.4p
Do Units 1.4p
Hafslund 5.94% Perp Sb Bd £2187.50
Do 12% Perp Sb Bd £3000.0
Kalamazoo Computer 3.05p
London 2.4% Cons £0.825
Do 3% Cons £0.75
Lorien 2.5p
Low & Bonar 5.4% 3rd Cm Pf 1.925p
Do 6% 1st Cm Pf 2.1p
Do 6% 2nd Cm Pf 2.1p
Met Water Boad 3% B 1934/2003 £1.50
Mexico 18.4% Ln 2008 £8.25
Meyer Int 7.8p
NK Props United Units R0.285
Oldham 11.4% Rd 2010 £5.625

P & O 3.4% Db £1.75

Do 3.4% 2nd Db £1.75
Sainsbury (J) 6% Int Un Ln £4.0
Sanctuary Housing 6.4% 1st Mtg Db 2031 £4.1975
Sanyo Elec 5.1% Nts 1999 ¥51000.0
Schneider 6% Cm Pf 2.1p
Scottish & Newcastle 14.17p
Sutton & E Surrey Water 10% Rd Bd 1997/99 £5.0
Thames Water 23.2p
Transcan Pipe 16.4% 1st Mtg Pipe Line Bd 2007 6.25p
Treasury 6.4% Ln 1997 £4.375
Witan Inv 6.4% Exch Bd 2008 £31.25

TOMORROW

Asarco \$0.20
Barclays Bank Non-Cm USS P1 Ser C1 \$0.4219
Do C2 \$0.1408
Do D1 \$0.4313
Do D2 \$0.1437
Do Units \$0.5625
Do Reg Ser D1 P1 Units \$0.575
Compco 3.24p
Ford Motor \$0.42
GEI Int 3p
H & C Fishings 4p
Inco \$0.10
Ingersoll-Rand \$0.225
Prism Leisure 5.48p
Sanyo Elec 6% Nts 1997 ¥8000.0
Sutton Harbour 2.2p
Trifast 6.67p

Union Carbide 50.1675

WEDNESDAY

Abstract New Dawn Inv Tst 1.65p
Blick 4.5p
Conversion 8% 2000 £4.50
Countrywide Properties 1p
Fujitsu Int Fin Unit Sb Gtd Var Rate Nts \$1740.97
GN Great Nordic DK12.0
Isletan 6.2% Nts 1999 ¥62000.0
Regent East 10.4-11.4% Stopped Int 1st Mtg Db 2012 £5.625
Royal Hotel 6.1% Bd 1997 ¥61000.0
Southern Elec B 0.724219p
Yorkshire Water B 0.451406p

THURSDAY

Abbey Natl Treas Gtd Tec 10 Indx FRN 2008 FF118.25
Anglo Irish Cap Ser A Pfg Non-Cm Gtd Nvlg P1 \$2.078125
Faulstich Trading 1.39p
Gan Motors Acct Cn 7.4% Nts Sep 1997 CS77.50
Greene King 11.6p
Lex Service 8.8p
Lloyds Bank Sb FRN 1999 £18.43
Powerscreen Int 7.4p
Staldis 1.05p

Sweden 6.4% Nts 2003 \$32.50

Westpac Banking FRN 1999 DM80.16

FRIDAY

Abbey Natl Treas 10.7% Gtd Nts 1997 L535000.0
Aberforth Smaller Co's Tst 2.5p
Aberforth Split Level Tst 4p
Do Units 4p, Anglian 5.4p
Banner Homes 1.2p
Boeing \$0.14
Domino Printing Sciences 4.4p
Enterprise 1.5p
Gillette \$0.215
Ivory & Sima 6.15p
JUL 3.3p
Jupiter Extra Inc Tst 1.96875p
Jury's Hotel IRA 65p
Man (ED & F) 7.3p
Middlesex 0.1p
Mitsui Fxd FRN 1998 ¥104402.0
Seaville 2.5p
Uno 3p
Vega 3.5p

SATURDAY

Bank of Greece 10.4% Ln 2010 £5.375
Joseph (J) 8.4% Un Ln 1997 2002 £4.625

UK COMPANIES

TODAY

COMPANY MEETINGS:
Brim Leisure, Enfield Hotel, 52, Rowan Road, Enfield, Middx, 10.00
H C Parkings, Amberley House, New Road, Rainham, Essex, 11.00
BOARD MEETINGS:
Fidel
Brit Allcroft
Waynes Publishing
Roxbury
Interline
Avonside
Bluebird Toys
Sund
Surrey Central
Charles Sidney
Cove
DCS Grp
Emerald Energy
Gowings
Kerry
Lithwell
Parkins Foods
Parsipatton
Singer & Friedlander

TOMORROW

COMPANY MEETINGS:
Abstract New Dawn Inv Tst, 99, Chatterhouse Street, E.C. 12.30
Bickerton, Oak Court, Sandridge Park, Porters Wood, St Albans, Herts, 12.00
Drings of Bath, Manor Hotel, Church Street, Chisbury, Slough, Berks, 10.00
M. Ridge, Hilton Heathrow Hotel, Terminal 4, Heathrow, 12.00
Sketchley, Exchange House, Primrose Street, E.C. 11.00
BOARD MEETINGS:
Frisch
Black (Peter)
Heritage Bathrooms
Macro 4
Interline
CNG
CNG
CA Coutts

Friday (James)

Bell
Isleford
Lambert Howard
Parsons
Parsons Foods
Peak
PPL Therapeutics
Serra
Serra
Stadium
Trafalgar
Wimpey (G)

WEDNESDAY

COMPANY MEETINGS:
Associated British Engineering, 78, Chapel Street, Tordun, Berks, 11.30
Briar, Fort Posthouse, Portbury High Road, North Ferry, Hull, 12.00
Radstone Technology, Water Lane, Towcester, Northants, 10.00
Savills, 25, Finsbury Circus, E.C., 12.00
Second London American Tst, 10, Park Place, S.W., 2.30
Sylvia, Cross Lane, Tong, Bradford, 11.00
Tyriflex Lloyd, Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 1.00
BOARD MEETINGS:
Interline
Arvey
Bentley (James)
Barford
Calm Energy
Capital Corp
Brite Helms
Hickson
IFA
Johansson Press
Mithras Inv Tst
Pegasus
Pentland
Regal Hotel
Verdon
Waterford Wedgwood
Wilson (Connolly)

THURSDAY

COMPANY MEETINGS:
Carlo Engineering, Outon Hall Hotel, Outon, Leeds, 4.00
Corporate Executive Search Int, 7, Seely Court, Strand, W.C., 10.00
Ozora, Grosvenor House Hotel, Park Lane, W., 11.30
Pith Higgs, Moor House, 119, London Wall, E.C., 12.00
Greene King, Theatre Royal, Westgate Street, Bury St Edmunds, Suffolk, 12.00
John David Sports, Parklands, Haywood Distribution Park, Plaworth Road, Heywood, Lancs, 3.00
Lawrence, 78, Coombe Road, New Malden, Surrey, 4.00
Man (ED & F), Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 10.00
Mentmore Abbey, Abbey Business Centre, Ingate Lane, Battersby, S.V., 11.00
Robert Wiseman Dairies, Bothwell Interim, 12.00
Bridges Hotel, 85, Main Street, Botolph, 12.00
Singer, New Cornmarket Rooms, Great Queen Street, W.C., 12.00
UNO, Exchange House, Primrose Street, E.C., 12.00
BOARD MEETINGS:
Finlay
Brierley Invs
Pacific Harbour
Westbrook (JD)
Interline
Abbot
Caples
Church & Co
Churchill China
Constable Tst
Flowers Int
Friendly Hotels
IBC, Laird
Laser-Scan
Mandara
Molins, Polan
Royal Doulton
Scholl

FRIDAY

COMPANY MEETINGS:
Adam & Harvey, Standard House, 15-16, Barfield Street, E.C., 10.30
Bardic Television, The Television Centre, Cardiff, 12.00
GEC, The London Hilton Hotel, 22, Park Lane, W., 12.30
Mendles (John), George Hotel, George Street, Edinburgh, 12.15
Pardun Foods, 50, Stratton Street, W., 2.00
PSBT, Butcher's Hall, 57, Southwark Close, E.C., 12.00
Radiant Metal Finishing, 69, Fairfield, Bow, E., 12.30
Sunderland, Flaxton's, Hst, 1, London Wall, E.C., 12.00
BOARD MEETINGS:
Frisch
Fortnum & Mason
Interline
Allayne
Furlong Homes
Hammerman
Hartley
Lino Supplies
Vibac, Wood (Arthur)

SATURDAY

COMPANY MEETINGS:
R Group, Heythrop Park, Chipping Norton, Oxfordshire, 11.00
Company meetings are arranged generally unless otherwise stated. Please note: meetings and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results. This is not necessary for companies since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

Use IT
or lose it.

The FTIT Review - Wednesday September 3.

You are a retailer who has stockpiled huge amounts of data on your customers' purchasing patterns. How can IT help you use it to gain a competitive edge? Read all about IT in this month's FTIT Review.

FINANCIAL TIMES
No FT, no comment.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Stock	Price	% Chg	Dividend	Yield
Guinness	10.50	0.00	0.00	0.00
Heineken	10.50	0.00	0.00	0.00
Stout	10.50	0.00	0.00	0.00

CHEMICALS - Cont.

Stock	Price	% Chg	Dividend	Yield
ICI	10.50	0.00	0.00	0.00
Shell	10.50	0.00	0.00	0.00
BP	10.50	0.00	0.00	0.00

ENGINEERING - Cont.

Stock	Price	% Chg	Dividend	Yield
Rolls Royce	10.50	0.00	0.00	0.00
BAE Systems	10.50	0.00	0.00	0.00
QinetiQ	10.50	0.00	0.00	0.00

EXTRACTIVE INDUSTRIES - Cont.

Stock	Price	% Chg	Dividend	Yield
Anglo American	10.50	0.00	0.00	0.00
De Beers	10.50	0.00	0.00	0.00
Platinum	10.50	0.00	0.00	0.00

INVESTMENT TRUSTS

Stock	Price	% Chg	Dividend	Yield
Investment	10.50	0.00	0.00	0.00
Trust	10.50	0.00	0.00	0.00
Capital	10.50	0.00	0.00	0.00

INVESTMENT TRUSTS - Cont.

Stock	Price	% Chg	Dividend	Yield
Investment	10.50	0.00	0.00	0.00
Trust	10.50	0.00	0.00	0.00
Capital	10.50	0.00	0.00	0.00

BANKS, RETAIL

Stock	Price	% Chg	Dividend	Yield
Barclays	10.50	0.00	0.00	0.00
HSBC	10.50	0.00	0.00	0.00
Debenhams	10.50	0.00	0.00	0.00

DISTRIBUTORS

Stock	Price	% Chg	Dividend	Yield
Woolworths	10.50	0.00	0.00	0.00
Next	10.50	0.00	0.00	0.00
Debenhams	10.50	0.00	0.00	0.00

BREWERIES, PUBS & REST

Stock	Price	% Chg	Dividend	Yield
Guinness	10.50	0.00	0.00	0.00
Heineken	10.50	0.00	0.00	0.00
Stout	10.50	0.00	0.00	0.00

BUILDING & CONSTRUCTION

Stock	Price	% Chg	Dividend	Yield
Arcon	10.50	0.00	0.00	0.00
Woolworths	10.50	0.00	0.00	0.00
Next	10.50	0.00	0.00	0.00

DIVERSIFIED INDUSTRIALS

Stock	Price	% Chg	Dividend	Yield
Woolworths	10.50	0.00	0.00	0.00
Next	10.50	0.00	0.00	0.00
Debenhams	10.50	0.00	0.00	0.00

ELECTRICITY

Stock	Price	% Chg	Dividend	Yield
EDF	10.50	0.00	0.00	0.00
British Nuclear	10.50	0.00	0.00	0.00
Electricity	10.50	0.00	0.00	0.00

ELECTRONIC & ELECTRICAL EQPT

Stock	Price	% Chg	Dividend	Yield
EDF	10.50	0.00	0.00	0.00
British Nuclear	10.50	0.00	0.00	0.00
Electricity	10.50	0.00	0.00	0.00

BUILDING MATS. & MERCHANTS

Stock	Price	% Chg	Dividend	Yield
Arcon	10.50	0.00	0.00	0.00
Woolworths	10.50	0.00	0.00	0.00
Next	10.50	0.00	0.00	0.00

CHEMICALS

Stock	Price	% Chg	Dividend	Yield
ICI	10.50	0.00	0.00	0.00
Shell	10.50	0.00	0.00	0.00
BP	10.50	0.00	0.00	0.00

ENGINEERING

Stock	Price	% Chg	Dividend	Yield
Rolls Royce	10.50	0.00	0.00	0.00
BAE Systems	10.50	0.00	0.00	0.00
QinetiQ	10.50	0.00	0.00	0.00

PRODUCTIVITY IN SCOTLAND

The sum of the parts is more than the whole

1992 1993 1994 1995 1996

LOCATE IN SCOTLAND

Freecall: 0500 666123 (in the UK) +44(0) 171 839 2117 <http://hs.scotland.co.uk>

ENGINEERING, VEHICLES

Stock	Price	% Chg	Dividend	Yield
Rolls Royce	10.50	0.00	0.00	0.00
BAE Systems	10.50	0.00	0.00	0.00
QinetiQ	10.50	0.00	0.00	0.00

HEALTH CARE - Cont.

Stock	Price	% Chg	Dividend	Yield
Glaxo	10.50	0.00	0.00	0.00
Novartis	10.50	0.00	0.00	0.00
Roche	10.50	0.00	0.00	0.00

HOUSEHOLD GOODS

Stock	Price	% Chg	Dividend	Yield
Woolworths	10.50	0.00	0.00	0.00
Next	10.50	0.00	0.00	0.00
Debenhams	10.50	0.00	0.00	0.00

INSURANCE

Stock	Price	% Chg	Dividend	Yield
Aviva	10.50	0.00	0.00	0.00
Prudential	10.50	0.00	0.00	0.00
Legal & General	10.50	0.00	0.00	0.00

مكتبة النخيل

OFFSHORE AND OVERSEAS

BERMUDA
(SIB RECOGNISED)

[illegible]

**BERMUDA
(REGULATED)(**)**

[illegible]

GUERNSEY
(B RECOGNISED)

[illegible]

Don F	5	168.33	0.74	0.0
Don F	5	125.33	27.42	1.1
Intl Money Market Fund Ltd				
44, La Troche, St Peter Port				
Intl Fund Managers (Guernsey) Ltd				

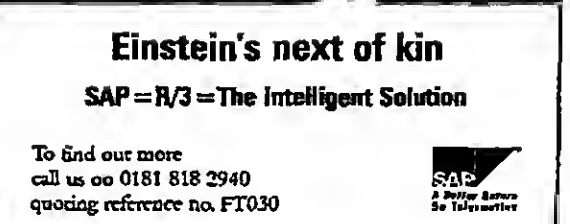
[illegible]

PH100.843	2.08
HRS101.75	6.32
L25473	9.01
H2825.518	7.28
WY100.612	1.00
WY100.612	1.00

[illegible]

JERSEY

Construction	2421.45
Health Services	513.55
Public Services	513.55
Police Services	1,273.20
Fire Services	2047.35

[illegible]

Small Growth Fund Inc	\$12.22	6.80	55010	Asian	\$8.97	-	49287	MA
Small Growth Fund Pfc	\$11.85	-	55012	Asian Market Leaders	\$14.64	-	49288	TH
Small Growth Fund (2)	\$10.23	-	55013	Charmco	\$11.38	-	49289	US
Small Growth Fund (3)	\$10.23	-	55014	Japan Recovery	\$8.58	-	49290	US
Small Growth Fund (4)	\$10.23	-	55015	Small Korea Venture Fund				TH
Small Growth Fund (5)	\$10.23	-	55016	First Venture Portfolio Inc	\$10.08	-	49291	TH
Small Growth Fund (6)	\$10.23	-	55017	Central Europe Portfolio	\$10.30	-	49292	TH

10

[illegible]

Bank of America	100.00	100.00	100.00
Bank of California	100.00	100.00	100.00
Bank of Commerce	100.00	100.00	100.00
Bank of Hawaii	100.00	100.00	100.00
Bank of Japan	100.00	100.00	100.00
Bank of London	100.00	100.00	100.00
Bank of Mexico	100.00	100.00	100.00
Bank of New York	100.00	100.00	100.00
Bank of Paris	100.00	100.00	100.00
Bank of Rome	100.00	100.00	100.00
Bank of San Francisco	100.00	100.00	100.00
Bank of Spain	100.00	100.00	100.00
Bank of Sweden	100.00	100.00	100.00
Bank of Switzerland	100.00	100.00	100.00
Bank of Tokyo	100.00	100.00	100.00
Bank of Union	100.00	100.00	100.00
Bank of West	100.00	100.00	100.00
Bank of World	100.00	100.00	100.00
Bank of Asia	100.00	100.00	100.00
Bank of Europe	100.00	100.00	100.00
Bank of India	100.00	100.00	100.00
Bank of Italy	100.00	100.00	100.00
Bank of Netherlands	100.00	100.00	100.00
Bank of Norway	100.00	100.00	100.00
Bank of Portugal	100.00	100.00	100.00
Bank of Russia	100.00	100.00	100.00
Bank of South Africa	100.00	100.00	100.00
Bank of United States	100.00	100.00	100.00
Bank of Venezuela	100.00	100.00	100.00
Bank of Argentina	100.00	100.00	100.00
Bank of Brazil	100.00	100.00	100.00
Bank of Chile	100.00	100.00	100.00
Bank of Colombia	100.00	100.00	100.00
Bank of Cuba	100.00	100.00	100.00
Bank of Ecuador	100.00	100.00	100.00
Bank of El Salvador	100.00	100.00	100.00
Bank of Guatemala	100.00	100.00	100.00
Bank of Honduras	100.00	100.00	100.00
Bank of Nicaragua	100.00	100.00	100.00
Bank of Panama	100.00	100.00	100.00
Bank of Peru	100.00	100.00	100.00
Bank of Uruguay	100.00	100.00	100.00
Bank of Paraguay	100.00	100.00	100.00
Bank of Bolivia	100.00	100.00	100.00
Bank of Venezuela	100.00	100.00	100.00
Bank of Argentina	100.00	100.00	100.00
Bank of Brazil	100.00	100.00	100.00
Bank of Chile	100.00	100.00	100.00
Bank of Colombia	100.00	100.00	100.00
Bank of Cuba	100.00	100.00	100.00
Bank of Ecuador	100.00	100.00	100.00
Bank of El Salvador	100.00	100.00	100.00
Bank of Guatemala	100.00	100.00	100.00
Bank of Honduras	100.00	100.00	100.00
Bank of Nicaragua	100.00	100.00	100.00
Bank of Panama	100.00	100.00	100.00
Bank of Peru	100.00	100.00	100.00
Bank of Uruguay	100.00	100.00	100.00
Bank of Paraguay	100.00	100.00	100.00
Bank of Bolivia	100.00	100.00	100.00
Bank of Venezuela	100.00	100.00	100.00
Bank of Argentina	100.00	100.00	100.00
Bank of Brazil	100.00	100.00	100.00
Bank of Chile	100.00	100.00	100.00
Bank of Colombia	100.00	100.00	100.00
Bank of Cuba	100.00	100.00	100.00
Bank of Ecuador	100.00	100.00	100.00
Bank of El Salvador	100.00	100.00	100.00
Bank of Guatemala	100.00	100.00	100.00
Bank of Honduras	100.00	100.00	100.00
Bank of Nicaragua	100.00	100.00	100.00
Bank of Panama	100.00	100.00	100.00
Bank of Peru	100.00	100.00	100.00
Bank of Uruguay	100.00	100.00	100.00
Bank of Paraguay	100.00	100.00	100.00
Bank of Bolivia	100.00	100.00	100.00
Bank of Venezuela	100.00	100.00	100.00
Bank of Argentina	100.00	100.00	100.00
Bank of Brazil	100.00	100.00	100.00
Bank of Chile	100.00	100.00	100.00
Bank of Colombia	100.00	100.00	100.00
Bank of Cuba	100.00	100.00	100.00
Bank of Ecuador	100.00	100.00	100.00
Bank of El Salvador	100.00	100.00	100.00
Bank of Guatemala	100.00	100.00	100.00
Bank of Honduras	100.00	100.00	100.00
Bank of Nicaragua	100.00	100.00	100.0

**KEMBOURG
RECOGNISED)**

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0800 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

[illegible]

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on 1-44 1711 873 4378.

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on 1-44 1711 873 4378.

Company Name	Symbol	Price	Change	Volume	Company Name	Symbol	Price	Change	Volume
Alcoa Inc.	AA	45.12	+0.15	100,000	Johnson & Johnson	JNJ	120.50	+0.25	200,000
Amgen Inc.	AMGN	110.25	+0.50	150,000	Merck & Co.	MRK	85.75	+0.10	180,000
Boeing Co.	BA	105.00	-0.25	120,000	Pfizer Inc.	PFE	35.50	+0.05	250,000
Caterpillar Inc.	CAT	75.50	+0.10	110,000	Roche Holding Ltd.	RHH	155.00	+0.50	90,000
General Electric	GE	40.25	+0.15	130,000	Schering-Plough	SLP	45.00	+0.15	160,000
IBM Corp.	IBM	115.00	+0.20	140,000	United Therapeutics	UTH	60.00	+0.10	100,000
Intel Corp.	INTC	35.00	+0.10	170,000	Wendel Co. Ltd.	WEN	120.00	+0.50	80,000
Microsoft Corp.	MSFT	55.00	+0.25	190,000	Yale University	YAL	100.00	+0.10	110,000
Oracle Corp.	ORCL	45.00	+0.15	160,000					
Qualcomm Inc.	QCOM	65.00	+0.20	130,000					
SAP AG	SAP	120.00	+0.50	90,000					
Siemens AG	SIE	110.00	+0.25	100,000					
Veritas Software	VRTS	85.00	+0.15	120,000					
WorldCom Inc.	WDC	30.00	+0.10	150,000					
World Wide Web	WWW	15.00	+0.05	180,000					
Yahoo! Inc.	YHOO	25.00	+0.10	160,000					
3M Co.	MMM	60.00	+0.15	110,000					
3Com Corp.	COM	20.00	+0.05	140,000					
3i Group Plc	3I	10.00	+0.02	130,000					
3M Financial Services	3MFS	15.00	+0.05	120,000					
3M Health Care	3MHC	25.00	+0.10	110,000					
3M Industrial	3MI	35.00	+0.15	100,000					
3M Life Sciences	3ML	45.00	+0.20	90,000					
3M Pharmaceuticals	3MP	55.00	+0.25	80,000					
3M Services	3MS	65.00	+0.30	70,000					
3M Technology	3MT	75.00	+0.35	60,000					
3M Transportation	3MTS	85.00	+0.40	50,000					
3M Water & Power	3MW	95.00	+0.45	40,000					
3M Wireless	3MWL	105.00	+0.50	30,000					
3M Aerospace	3MA	115.00	+0.55	20,000					
3M Chemicals	3MC	125.00	+0.60	10,000					
3M Electronics	3ME	135.00	+0.65	5,000					
3M Energy	3MEn	145.00	+0.70	2,000					
3M Financial	3MFi	155.00	+0.75	1,000					
3M Health	3MH	165.00	+0.80	500					
3M Industrial	3MI	175.00	+0.85	200					
3M Life	3ML	185.00	+0.90	100					
3M Pharmaceuticals	3MP	195.00	+0.95	50					
3M Services	3MS	205.00	+1.00	20					
3M Technology	3MT	215.00	+1.05	10					
3M Transportation	3MTS	225.00	+1.10	5					
3M Water & Power	3MW	235.00	+1.15	2					
3M Wireless	3MWL	245.00	+1.20	1					
3M Aerospace	3MA	255.00	+1.25	0					
3M Chemicals	3MC	265.00	+1.30	0					
3M Electronics	3ME	275.00	+1.35	0					
3M Energy	3MEn	285.00	+1.40	0					
3M Financial	3MFi	295.00	+1.45	0					
3M Health	3MH	305.00	+1.50	0					
3M Industrial	3MI	315.00	+1.55	0					
3M Life	3ML	325.00	+1.60	0					
3M Pharmaceuticals	3MP	335.00	+1.65	0					
3M Services	3MS	345.00	+1.70	0					
3M Technology	3MT	355.00	+1.75	0	</				

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هكذا من الأهل

Highs & Lows shown on a 52 week basis

Highs & Lows shown on a 52 week basis

		+/-	High	Low	Tid	F/E
Control+	970	-1.1	200	0.10	0.00	

	Cones+	970	+/-	High	Low	Yld	PFE
EUROPE							

[illegible]

5,725	12,850	2.6	77.1	SILIC	803	-5	836	686	7.8	
58,000	58,500	0.6	40.0	SAT	1,550		1,990	1,440	1.9	121
1,140	2,000			SGE	1,812	-1.85				

14,800	+178	15,725	12,850	2.6	77.1	SLJC	803	836	698	7.0
116,900	-2,200	118,800	58,500	0.8	40.0	SAT	1,590	1,990	1,440	1.9
2,195	-123	3,145	2,680			Sgt	1,130	1,560	1,420	1.2

[illegible]

121	60.50	2.5	10.8	Spanish	143	1.50	181	101		
07.86	132.10			Budman	880	-19	990	651	1.4	187
015	678	0.8	27.5	ColPri	150	+2	190	60	1.2	

Sept 01	108	-1	121	80.50	23	16.8	Brasim	143	-180	181	101		
Sept 02	273.78		307.86	132.10			Budmim	880	-78	980	851	1.8	18.7
Sept 03	948.05	-95	1,015	678	0.8	27.3	ColPrd	150	+2	190	60	1.2	

[illegible]

1.50	0.38	1	1	535	701	932	0.3	27.3
				410	450	385	1.9	50.8

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INDICES

1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424
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	Stocks Traded	Closing Prices	Change on day
steel	3.9m	306	+6
..... Hvy	3.7m	799	-6
.....	3.6m	597	-7
Bank	3.8m	1780	-20
rp	3.6m	1210	-30

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N S&P 500							
Jan	898.00	902.10	+3.20	909.75	898.00	72.921	177.5

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Jan	898.00	902.10	+3.20	909.75	898.00	72.921	177.5

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